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Have we sold the poor the American Dream?

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Have We Sold the Poor the American Dream? The Political Economy of Microfinance

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Abstract

This thesis critically investigates how microfinance remains a development policy despite considerable evidence claiming it is neither pro-poor nor pro-women. The neoliberalisation of the development agenda to support structural adjustment required a solution to poverty that was market based. That solution was microfinance. Microfinance is high interest debt to the poor and, I argue, a tool not for poverty reduction but for the financialisation of poverty. Using the case of Egypt and Gramsci's framework of hegemony, this thesis explores the way the microfinance industry has been able to present a convincing case for the ability of microfinance to address the issues of poverty, supported by narratives of individual empowerment. To facilitate the mainstream acceptance of debt for the poor, the microfinance industry promoted narratives which constructed the lives of those that borrow around ideas that later become popularly supported. The poor are cast as aspiring entrepreneurs by the industry, which works to shape the opinions of policy makers to embed those ideas into development policy. Through data provided by participants at all levels of the microfinance industry, this thesis sought to determine the role narratives play in maintaining the hegemony of microfinance. Evidence demonstrates that the industry relies on these narratives at a policy level to maintain the hegemony of microfinance while covering up the financialisation of poverty. On the ground, the narratives are shown as irrelevant and that loans to the poor are part of a coping strategy of last resort for those that are forced to live in a neoliberal market economy.

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Authors Declaration

I declare that the work in this dissertation was carried out in accordance with the requirements of the University's *Regulations and Code of Practice for Research Degree Programmes* and that it has not been submitted for any other academic award. Except where indicated by specific reference in the text, the work is the candidate's own work. Work done in collaboration with, or with the assistance of, others, is indicated as such. Any views expressed in the dissertation are those of the author.

Signed:

Date: 10/04/2020

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List of Abbreviations

ASA	Association for Social Advancement
BRAC	Bangladeshi Rural Advancement Committee
CARD	Centre for Agriculture and Rural Development
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poor
CPF	Country Partnership Framework
DfID	UK Department for International Development
EFRA	Egyptian Financial Regulatory Authority
EFSA	Egyptian Financial Supervisory Authority
FCA	UK Financial Conduct Authority
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GPFI	Global Partnership for Financial Inclusion
IFI	International Financial Institution
IFC	International Finance Corporation
IMF	International Monetary Fund
INGO	International Non-Governmental Organisation
MFI	Microfinance Institution
MSME	Micro, Small and Medium Size Enterprise

NEP	New Economic Programme
NGO	Non-Governmental Organisation
RCT	Randomised Control Trials
SAP	Structural Adjustment Programme
SDG	Sustainable Development Goal
SFD	Social Fund for Development
SME	Small and Medium Size Enterprise
UN	United Nations
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WBG	World Bank Group

Chapter 1 - Introduction

Overview

Microfinance globally continues to be positioned as a critical development tool in the fight against poverty and exclusion. Its attractiveness is based largely on Mohammed Yunus' (1999) 30-year-old entrepreneurial narrative that providing loans to the poor allows them to unleash their commercial creativity, become entrepreneurs, improve their income, gain inclusion, and create a positive spiral out of poverty. Despite the attractiveness of Yunus' narrative, there is a polemical debate regarding its actual effects on poverty reduction. Critics of microfinance, have contended that microfinance neither reduces poverty, promotes entrepreneurship, nor creates inclusivity (Bateman, 2010b; Bateman, 2014; Blowfield and Dolan 2014; Mader, 2015; Mader, 2016; Bateman and Maclean, 2017; Mader, 2017a; Kar, 2018). Microfinance was sold to the world as a tool to banish poverty to the museums (Yunus, 1999: 282), however, it is evident that the reality of microfinance is at odds with those claims. It is now accepted that microfinance is not a miracle tool for bottom-up entrepreneurial development. Yet the development industry, led by the International Financial Institutions (IFIs), remains certain that microfinance has a key role in assisting the lives of the poor.

Whilst living and working in Cairo for an international corporate bank, I had the opportunity to work with the microfinance industry over a prolonged period. Over a number of years, I went from being a supporter of microfinance to someone who had serious doubts about the impact that the intervention claimed to have on borrowers. The disjuncture between the industry's claims and my observations of the borrowers' realities was the inspiration for my research. I sought to understand how debt, something I understood well as a banker, could become laden with expectation when introduced to the poor. The foundations of my work were based on a historical review of the stories told by the microfinance industry. In tracing the industry's growth, I found consistent patterns of storytelling (which I understood as narratives) created and promoted by the industry to position microfinance as a critical development policy. It is these narratives which I viewed as assigning roles to debt far beyond anything debt could reasonably achieve. Building on the concept of narratives, I sought to observe the role narratives played for the microfinance industry to better understand if they were associated with the favoured position of microfinance as a development policy that I understood to be ineffective.

This thesis demonstrates how the microfinance industry relies on narratives that position microfinance as a key development policy. These narratives enable the industry to maintain its role in the lives of the poor. In observing microfinance, I determined that it is a hegemonic policy and concluded that the industry was supported by narratives which maintained that hegemony. I view microfinance as hegemonic largely due to its comprehensive inclusion in the achievement of the Sustainable Development Goals (SDGs) (UN, 2015). Hegemony, in simple terms, is the control of one group over another through means other than force (Gramsci, 1971), a position I understand to be reflective of the microfinance industry. The development sector remains certain microfinance has a positive role in the lives of the poor, yet the evidence suggests otherwise. I argue the industry's continued dominance is supported by narratives that assign positive roles to debt and justify interventions that are not able to yield these positive outcomes. Microfinance is a tool used to expand the role of financial capital in the lives of the poor, extracting capital from those at the bottom of the pyramid and enriching those at the top. Using Egypt as a case study, I examine the role of narratives around microfinance through a range of interviews with industry participants. By reaching out to all levels, from policy makers to borrowers, I sought to better understand the role narratives play in maintaining the hegemony of microfinance and covering up the financialisation of poverty.

Microfinance and Development

Microfinance is a development intervention based on neoliberal ideas and was developed during a time where state-led development was rejected and individualistic self-help was the dominant ideological imperative. Neoliberalism, an agenda based on the deregulation of economies, the promotion of open markets to trade and capital, and the downsizing of the state through austerity or privatisation, is the structural underpinning of microfinance. Microfinance has been supported by narratives which have homogenised the poor, recast their relationship with the state, and integrated them into global financial networks by framing them as entrepreneurs seeking capital to participate in markets (Blowfield and Dolan, 2014; Mader, 2015; Kar, 2018). Neoliberalism depoliticises poverty and narratives of microfinance depoliticise poverty reduction. The industry casts the solution to poverty as an individualistic financial endeavour rather than something achieved through alternative redistributive methods.

The narratives of microfinance are packaged within the imaginings of the American dream: that individual determination and hard work provide opportunities for individuals to realise their aspirations (Johnson, 2006). It is a dream where rich and poor alike pursue personal wealth as a means of fulfilment and freedom. I argue that the American dream is appropriated by narratives of microfinance and imposed upon the Global South. In observing the difference between microfinance narratives and reality, I questioned whether those people the narratives spoke about understood the terms that the industry placed upon them. I wanted to better understand whether the narratives of microfinance were reflected in the perceptions of participants and see if they had internalised the American dream. Using Gramsci's theory of hegemony, I set out to observe whether the poor were convinced that entrepreneurial self-help through debt was a solution to their poverty in the same way that the development industry is.

Research has shown that microfinance does not work for the poor (Bateman, 2010; Duvendack et al., 2011; Kar, 2018), yet its continued growth would indicate it does work for someone. Microfinance is not a small arm of niche finance. It is a large and profitable part of global capital with wholesale investments in microfinance yielding returns far greater than traditional markets (Ingrid, 2007). Therefore, microfinance appears to work for the global financial system. When presented without a narrative, microfinance simply consists of selling high interest debt to the world's poorest with profits going to the world's richest – not a convincing story for a development policy. I argue that through carefully crafted narratives about the entrepreneurial poor helping themselves out of poverty, or the excluded gaining inclusion, the concept of high interest debt to the poor becomes not only palatable but a development imperative. I seek not to prove or disprove the impact of microfinance, but to understand why despite considerable evidence against it (Bateman, 2010b; Bateman, 2014; Blowfield and Dolan 2014; Mader, 2015; Mader, 2016; Bateman and Maclean, 2017; Mader, 2017a; Kar, 2018), microfinance is still considered a key development policy.

There are a number of terms that will be used throughout this thesis that will be defined in more detail in the subsequent chapters. However, for the purpose of the introduction I shall briefly establish the notions being discussed. Narratives are central to the argument of this thesis and in the most basic of senses are defined as:

> …… discourses with a clear sequential order that connect events in a meaningful way for a definite audience and thus offer insights about the world and/or people's experiences of it. (Hinchman and Hinchman, 1997:16)

For my research, this definition provides a clear framework because of its focus on two key features of narratives. The definition states that narratives are meaningful and are socially defined for a specific audience, things I view as being true of the narratives of microfinance. The study of narratives will be explored further in chapter three, but this definition provides an understanding of their role in my research for this opening chapter.

Hegemony is the theoretical framework that I shall use to analyse and interpret my data. The theoretical framework chapter will outline in full detail Gramsci's theory, but to aid the understanding of this introduction it is important to define what is to be understood by that term. Hegemony has been a critical concept in Marxism for explaining power relations between the ruling and subordinate classes. Hegemony is used to explain the control of one group over another through means other than force (Gramsci, 1971). I shall use Morton's refinement of Gramsci's definition of hegemony as the basis on which I shall develop my theoretical framework: "*The articulation and justification of a particular set of interests as general interests*" (Morton, 2007:113). Morton's definition is appropriate for the discussion of narratives in my research because it outlines the process I view as taking place within the microfinance industry. The industry promotes a narrative that articulates a neoliberal solution to poverty as being 'the' solution to poverty.

Throughout my work I state that microfinance is hegemonic at a policy level. I use the term policy level to refer to the inclusion of microfinance in the broad spectrum of development interventions that are being forwarded by the industry as part of the SDGs. For the purpose of this research, I conceptualise development policy as the "commitment to eradicate poverty and achieve sustainable development by 2030 worldwide, ensuring that no one is left behind" (UN, 2015). If the achievement of the SDGs is contingent on poor individuals taking personal debt to pay for education (SDG 4), health (SDG 3), food (SDG 2), equality (SDG 5) and to eradicate poverty (SDG 1), then according on my research, that strategy is flawed. The literature has demonstrated that microfinance fails to sustainably improve any of those factors, which supports my claim that the industry relies on narratives to maintain its hegemony.

The Narratives of Microfinance

I argue that narratives within the microfinance industry are created stories that the industry promotes to ensure that the policy remains hegemonic. In order to understand the details of the narratives that are to be discussed, this section provides an overview of the two main narratives of microfinance. The aim is to demonstrate through the industry's own literature how the IFIs and Microfinance Institutions (MFIs) promoted those narratives. This overview sets the scene and demonstrates how the microfinance industry convinced policy makers that the poor were aspiring entrepreneurs in desperate need of debt.

The Entrepreneur

The primary protagonist of microfinance industry narratives is the entrepreneur. This figure is based on the classical economic theories of Adam Smith (1776) and J. S Mill (1836). The rational and utility seeking individual named 'Homo-economicus' pursues the goal of economic growth through investing in enterprise in a free market economy (Mill, 1836). The belief held by Smith, that the efficiency of the market will spread wealth across society, benefit millions, and move society as a whole out of poverty, is also held by Yunus (1999: 12). The construction of the narrowly focused, rationally self-interested individual was central to neoliberal ideas that in turn supported microfinance. Neoliberalism reduced the role of the state in development processes and strengthened the ideal of development as an individualistic task.

Yunus' construction of a microentrepreneur was highly compatible with neoliberal ideas. Every poor individual is homogenised and cast as an entrepreneur. If they could borrow, they could succeed. Economic growth is considered the result of people's capacity to innovate, grow a business, increase employment, and subsequently increase demand, creating a virtuous circle (Green, 2008). Microfinance promotes income-generating activities, the increase in income is accumulated not only to address the material issues of poverty but also to address the deeply rooted issues caused by poverty: ill health, poor education, unsuitable housing, lack of empowerment, and vulnerability. Microfinance was described as a way to end poverty, a world where individuals could meet their own basic life needs, a world where there would be no need for charity, for welfare, or for hand-outs. This appears to be a win-win development methodology (Yunus, 1999: 25).

A significant body of academic literature (Soto, 1989; Todd, 1996; Alexander, 2001; Dunn and Arbuckle, 2001; Snodgrass and Sebstad, 2002; Kaboski and Townsend, 2005; Kondo, 2007; McKenzie and Woodruff, 2008; McKenzie, 2015; Bruhn and Inessa, 2009; Syed, 2009) and MFI led impact assessments (BRAC, 1996; Grameen, 1997; ASA, 2003; CARD, 1997; Kashf, 2004) supported Yunus' claims. Access to microfinance was shown to create employment by increasing jobs or the number of productive hours worked (Binswanger and Khandker, 1992; Pitt and Khandker, 1998; Yunus, 1999; Dunn and Arbuckle, 2001; Zohir and Matin, 2004; Christensen, Parsons and Fairbourne, 2010). Microfinance was shown to create employment for large unemployed populations who had little opportunity in the formal or government sectors (Akintoye, 2006; Akintoye, 2008).

The original Yunus model of microfinance was targeted at women. Microfinance was designed to empower women in their communities and in their homes (Yunus, 1999; Kulkarni, 2011). Traditional, religious, or rural women are identified as people that have limited interactions with the world outside their house or family, and that lack of status includes having little or no access to financial services (Yunus, 1989). Microfinance empowers women. Empowerment is categorised by Sen (1990) as "universally valued functionings" that, regardless of context, are the basis of survival and wellbeing. Empowerment comprises change (Mayoux, 1998), choice (Kabeer, 2001), and power (Mayoux, 2001). Women who are able to access finance gain the power of controlling a loan and are better able to make or challenge decisions within the household for themselves and their families (Ackerley, 1995; Todd, 1996; Amin and Becker, 1998; Yunus, 1999; Montgomery, 2005; Pitt, Khandker and Cartwright, 2006; Osmani, 2007; Hazarika, 2007; Roome, 2008; Li, Gan and Hu, 2011; Samad, 2014).

The entrepreneurial narrative of microfinance constructs a silver bullet-like intervention that not only impacts employment and consumption but also health, education, and women's empowerment. Using research to skilfully communicate the positives of microfinance, the industry created the perception that the poor are all potential entrepreneurs only held back by lack of capital.

Financial Inclusion

The positive impacts demonstrated by entrepreneurial microfinance have been challenged and rebutted not only by academics but also the development organisations that fund and support microfinance (Osmani, 1989; Quasem, 1991; Goetz and Gupta, 1996; Morduch, 1998; Rahman, 1999; Hulme and Arun, 2009; Karlan and Zinman, 2009; Bateman, 2010b; Duvendack et al., 2011; van Rooyen, Stewart and de Wet, 2012; Bateman and Chang, 2012; Sinclair, 2012; Garikipati, 2013; Bateman, 2014; Duvendack, Palmer-Jones and Vaessen, 2014; Banerjee et al., 2015; Banerjee, Karlan and Zinman, 2015; Mader, 2015; Bateman and Maclean, 2017). All of these studies find counterevidence to the claims made by Yunus' entrepreneurial school, proving that the poor were not credit-constrained entrepreneurs and that microfinance did not improve their wealth, their health, or empower women. What was perhaps unique about many of the challenges these studies brought to microfinance was the paradigm in which they were rooted. The challenges to microfinance remained supportive of microfinance, they just did not support the entrepreneurial narrative.

The financial inclusion narrative, and the transition between it and the entrepreneurial narrative, is best illustrated by the academic exchanges between Khandker and Pitt and Morduch and Roodman. Khandker and Pitt's (1998) seminal work found significant improvements in borrowers' poverty statuses over non-borrowers. This was directly challenged by Morduch (1998) who cited concerns with their data and found no significant impacts on poverty using the same data set. Morduch however was not suggesting that microfinance was wrong in principle, just that it achieved different but equally important things. Microfinance in the view of Morduch provides the poor with an important tool with which to manage their lives. The debate continued through a long journal article exchange (Pitt and Khandker, 1998; Pitt, 1999; Pitt, Khandker and Cartwright, 2006; Pitt, 2014b; Pitt, 2014a; Morduch, 1998; Roodman and Morduch, 2009; Roodman and Morduch, 2014) and signified what became the debate of entrepreneurial microfinance versus financial inclusion. The impact was debated, the intervention was not.

Microfinance was now the end, not the means. Creating jobs or alleviating poverty was no longer important. The aim was to provide sustainable financial services to the poor. The major supporters of microfinance changed the discourse and began stating that their aim was "providing poor households throughout the world with flexible and high-quality financial services on a sustainable basis" (CGAP, 2001: 1 cited in Mader 2015: 11), when years before they had claimed microfinance was "the single most effective way to reduce poverty and achieve broad-based economic growth" (CGAP, 1995a: 1 cited in Mader 2015: 11). The language used across the industry changed. The new narrative was the provision of sustainable financial services for all (WBG, 2014) with little mention of the impact on poverty or development (Mader, 2015; 2017a). The provision of financial services to those living in poverty helps them manage the complexities of their financial lives. This was particularly important when framed by the academics who support financial inclusion. Supporters of financial inclusion claim that for the poor, "not having enough money is bad enough. Not being able to manage whatever money you have is worse" (Collins et al., 2009:184).

I acknowledge clearly that financial inclusion is a broad agenda which encompasses not only loans but savings, payment systems, bank accounts, and financial training for the poor. For the purposes of this thesis, however, financial inclusion shall be discussed in a narrower context, looking at only the loans offered under this narrative. The reason for this is twofold, firstly it makes the activities directly comparable to loans under the entrepreneurial narrative, and secondly because loans still make up the vast majority of financial inclusion activities (Mader, 2017a:3).

The Structure of Neoliberalism

Microfinance is a product of neoliberal ideas; the narratives clearly demonstrate their alignment. Neoliberalism is most commonly associated with the Thatcher and Reagan era of Western politics when market liberals were challenging post-war Keynesian economic thought, ending interventionism, and starting a wave of free market fundamentalism (Harvey, 2007). The ideology of neo-liberalism is built on the idea personal welfare is maximised by the encouragement of private enterprise and the increase in individual responsibility. Free markets facilitate the actions of self-interested entrepreneurs who work to provide goods and services efficiently and effectively (Olssen and Peters, 2005). Under neoliberalism, a range of activities of government should be privatised, public holdings, and services should be sold off to the private sector for efficient delivery (Olssen and Peters, 2005; Harvey, 2007). The ideology claims the reduction of government intervention in the provision of social goods, the deregulation of financial markets, and the increase in private investment has generated an era of unparalleled social wellbeing for the world.

Neoliberalism first appeared in development policy in the 1980s (Gore, 2000). The rise in developing world government debt, followed by the subsequent period of over indebtedness and default, allowed the IFIs to intervene and restructure the debt around neoliberal conditionalities (Harvey, 2007). The previous era of state-led development policy was called into question and policies of macroeconomic stability through fiscal discipline, public service retrenchment, state privatisation, trade liberalisation, tax reform, deregulation, and securing of property rights were promoted instead (Gore, 2000). Collectively, this became known as the Washington Consensus. Structural adjustment programmes (SAPs) were the implementation tool, debt refinancing was offered to governments on the condition of market reforms (Easterly, 2005). Neoliberal policies led to the growth of poverty, unemployment, and social inequalities in the countries that implemented them. The situations created by the SAPs led to political instability so that the IFIs needed a solution to address the threat of instability in current and future SAPs. Publicly, this is where the ideology of neoliberalism and the narratives of microfinance merged, allowing microfinance to be the tool to offer hope to those facing cuts under the SAPs.

Neoliberalism created a backdrop where the narratives of microfinance could become pervasive. Both the narratives of entrepreneurship and later that of financial inclusion are aligned with the politics of neoliberalism, a tool to spur entrepreneurial activity or a way for people to pay for privatised services. The IFIs encouraged and created MFIs across the developing world, to promote the informal sector and soak up the unemployed (Mader, 2015). The narratives at a policy level claimed microfinance could address poverty. Policymakers were convinced and integrated microfinance into the SAPs as part of the emergency social fund, a measure designed to assist the informal sector and support the adjustment process (Glaessner, 1994; Weber, 2004).

Neoliberalism and The Financialisation of Poverty

Financialisation is an outcome of the neoliberal restructuring of an economic system, resulting in an expanded role for finance within those economies. Since the 1980s, neoliberalism has positioned finance as being of greater importance than the non-financial sector (Kotz, 2008: 2), creating an increased role for the financial sector in the lives of populations. Neoliberal economic systems undertake a process of financialisation, defined as:

> .... a process whereby financial markets, financial institutions and financial elites gain greater influence over economic policy and economic outcomes. Financialisation transforms the functioning of economic system at both the macro and micro levels (Palley, 2007: 1).

Kotz (2008:2) argues that financialisation as a process has been driven by neo-liberalism, not that financialisation facilitated the rise of neoliberalism as many previously thought. Neoliberal economies require financialisation for the process of accumulation to take place. Under the process of financialisation, the role of the financial sector is increased but the non-financial sector shrinks in relative importance, leading to an increase in income inequality, wage stagnation, and a decrease in actual productivity. Financialised economies are at greater risk of debt deflation and cycles of recession. At an individual level, financialisation has led to a large increase in personal debt which has been made necessary by neoliberal economic reforms (Kotz, 2002).

The inspiration for this thesis is the work of what I term the financialisation of poverty school. It is the works of Milford Bateman (2010b; 2012; 2014; 2017) and Philip Mader (2013; 2014; 2015; 2016; 2017a; 2017b) that have driven my research, and introduced me to the notion of the financialisation of poverty. The school views microfinance not as a tool for development but as a tool to financialise poverty. Neoliberalism across the developing world, as well as in the development agenda, has promoted the reduction of the role of the state and seen the increase in the privatisation of basic services. There has been a systematic increase in the role of the financial sector in the lives of the poor. Neoliberalism created markets and microfinance is the tool with which people participate. The narrative of financial inclusion has been created by the microfinance industry to assign a positive role for debt in the face of the financialisation of poverty. Microfinance runs counter to sustainable social and economic development, designed to cover capitalist accumulation in the lives of the poorest.

The Research Question

My research sought to better understand how the microfinance industry relies on narratives. This introduction has defined the process of the financialisaton of poverty taking place under the cover of narratives, a process I understand as the maintenance of hegemony. I argue that hegemony is what maintains microfinance as a development policy and explains its position in the policy space while it is unable to demonstrate effectiveness. The relationship between microfinance and hegemony is under-explored. Milford Bateman constructs a similar argument using the concept of agnotology (2014). Bateman states that agnotology, the study of ignorance, or what we don't know and why we don't know it, explains the actions of the microfinance industry in creating the narratives of microfinance. The industry hides and deflects from the negative outcomes generated by microfinance by actively promoting the positive, producing a designed ignorance. Whilst I find Bateman's argument to be compelling, the argument fails to fully explain the depth of the views and beliefs held by supporters of microfinance. I maintain that to alter the sense-making of those who are concerned with the wellbeing of others (charities, NGOs), to be openly providing high interest debt to the world's poorest for a profit goes beyond agnotology. The way the industry and its supporters hold the narratives of microfinance to be true, even in the face of evidence to the contrary, I argue it is more than ignorance, it is the result of hegemony.

The broad objective of this thesis is to explore the role of the narratives of microfinance in maintaining hegemony through the perceptions, understandings, and interpretations of those involved, using the case study of Egypt. The narratives of microfinance can be found throughout development policy and are foundational in the SDGs (UN, 2015). In Egypt, microfinance is a favoured tool of the Government and the IFIs. This position is maintained, despite the considerable evidence against microfinance. To focus the research, I will address one core question:

- What role do narratives play in maintaining the hegemony of microfinance in Egypt?

In order to answer the core research question and to formulate the research materials, I created two sub-questions.

- Why do people engage with microfinance?
- What do those people believe they are participating in?

Microfinance seemingly has the ability to gain broad acceptance wherever it is introduced. To understand the role of narratives in that acceptance, the perceptions and experiences of those that are active in the industry were used to provide insight. Individuals from multiple levels within the industry were sought out to answer questions to determine what they perceived microfinance to achieve. The term ‘people’ is used within the sub-questions to indicate the broad range of those who engage with microfinance and who participated in this study. People could also be referred to as ‘the industry’, but those that borrow from MFIs would technically fall outside of that definition.

To achieve the research objective and answer the research question, I used a qualitative methodology in the form of semi-structured interviews. To provide the depth and scope required to allow an investigation into hegemony and the role of narratives, the participants were made up of multiple tiers of the microfinance industry, from policy to practice. Senior

IFI representatives and the CEOs of large MFIs were interviewed alongside loan officers and microfinance borrowers. To address the question effectively, I grouped the participants into two levels defined as the mechanisms of hegemony - the IFIs and MFIs - and the consumers of hegemony - the loan officers and the borrowers. Each group provided insight into the promotion and the reception of narratives. Their perceptions and realities help uncover the role of narratives in maintaining the hegemony of microfinance.

Semi-structured interviews were selected where questions were developed in direct connection with the literature discussed in the subsequent chapters. The semi-structured format allowed for the deep exploration of perceptions and experiences and maintained the flexibility to adjust the terminology to reflect the specific individual's position. Flexibility in the questions was particularly important as participants ranged from Harvard educated directors of IFIs to female borrowers from the poorest areas of Cairo. Understanding that many of the participants of this study were vulnerable, ethical considerations were crucially important. Using guidance from the University of Bristol, I ensured that research participants were not subjected to harm as part of this process. Consent was gained, privacy was ensured, and each participant was aware that they could withdraw at any time. It was paramount for this research to make a meaningful contribution to the literature without jeopardising those that participated.

Implications of this Thesis

Microfinance is a global development intervention. Therefore, the fieldwork for this thesis could have taken place in any country that has exposure to microfinance. I have selected Egypt for two reasons. Firstly, my professional background is in financial services there and I speak the Egyptian Arabic dialect. Secondly, due to the recent transformation of the microfinance industry in the country, Egypt is a post-colonial state that had experienced socialism followed by development programmes driven by the Washington Consensus. Microfinance has been part of the Egyptian landscape since the late 1980s and the population have seemingly accepted the presence of MFIs as part of everyday life. Egypt provides a depth to the study of the narratives of microfinance that is perhaps not found elsewhere. In Egypt, the narrative of microfinance has gone full circle, from entrepreneurship to financial inclusion and, since 2014 to the present, back to entrepreneurship. The switch back to the promotion of entrepreneurial microfinance is directly related to a new programme of structural adjustment, the 2016 Country Partnership Framework (CPF) (WBG, 2015). The CPF has been implemented by the IMF, World Bank and the Egyptian Government. It promoted market reforms and government retrenchment. I saw this as an opportunity to observe the narratives of microfinance in action as they were promoted to a population who were experiencing price rises and growing unemployment. The case of Egypt allowed me to explore whether the narratives of microfinance take people on a journey where beliefs are shaped, and their opinions moulded, as the theory of hegemony suggests. Observing how participants perceive narratives will help determine whether the narratives of microfinance are tools overlaid at a policy level to influence policy while perceptions on the ground are divergent.

The implications of this research will allow for microfinance to be understood in a conceptually different way. It will allow those that engage with microfinance believing that they are helping people escape poverty to view the intervention through a different lens. My research presents the understanding that the prescribed 'impact' of microfinance is a narrative and a tool in a process of the financialisation of poverty. This thesis will demonstrate that microfinance is popular not because it is effective but because it is hegemonic, with narratives acting to conceal a reality divergent from the ideas presented in the narratives.

The Structure of this Thesis

The structure of this thesis emerged from my approach to understanding the role of narratives in Egypt. The four analytical chapters (chapters five to eight) give insight into the participants' perceptions of microfinance across each level of the industry. The order flows from the IFIs through the MFIs to eventually reach the borrowers. This order appeared logical because it not only traced the flow of money in microfinance but it also traced the flow of narratives from the mechanisms to the recipients of hegemony. To set the scene for my research, chapters two, three, and four act as guides. Chapter two traces the history of microfinance through the terms of its narratives. Chapter three outlines my Gramscian approach to viewing the microfinance industry. The context of Egypt and the details of my case study are laid out in chapter four which leads into the four following analytical chapters.

Microfinance is a product of neoliberalism and understanding it situated within its political economy allows my research, through Gramsci's lens, to separate the narrative from reality. In doing so I observe the industry's reliance on narratives to maintain the hegemony of microfinance and financialise poverty under the guise of development.

Chapter 2 - The Political Economy of Microfinance

Introduction

It is no secret that microfinance is financial capitalism's response to poverty (Mader, 2015). Building banks and using capital markets to create a more equitable world where everyone can participate and no one lives in poverty. Of increasing size and global importance, the microfinance system is a paradigmatic stand for the faith in the modern-day financial order which its proponents and supporters truly believe (Bateman and Chang, 2012). Once a tiny sub-industry and now a global phenomenon, its claims of eradicating poverty and empowering women have caught the imagination of the world. Financial markets can take capital from the very richest and lend it directly to the very poorest. Contemporary capitalism can reach into the African villages and Asian slums and lift those living there out of poverty (Fisher & Sriram, 2002).

Any development policy that holds such strong claims of poverty eradication and empowerment should expect scrutiny. However, as the literature presented in the introductory chapter illustrated, the majority of the research into microfinance comes from within its own capitalist paradigm. Challengers often support the underlying principle of microfinance and focus their critiques on the intricacies of institutional performance and the extent or type of beneficiary impact. The dominant arguments in the literature for the first 25 years of microfinance was that it was an exciting possibility for reducing poverty. The question has simply been how effective it has been rather than whether it has been effective at all (Morduch, 2005). It was not until much more recently that challenges were mounted from a truly critical perspective, looking at the paradigm of microfinance as a structural poverty trap and nothing more than the extension of neoliberal capitalism to the poorest (Elyachar, 2005; Bateman, 2010b; Bateman and Chang, 2012; Mader, 2013; Mader, 2014; Bateman, 2014; Mader, 2015; Mader, 2016; Mader, 2017a; Bateman and Maclean, 2017; Kar, 2018).

In 2011, faced with growing numbers of impact studies yielding inconclusive results and a new critical strand of literature, DfID undertook a comprehensive review of microfinance impact studies (Duvendack et al., 2011). This review aimed to give clear indications of what was known globally about the impact of microfinance. Dr. Duvendack, who led the DfID-funded research ultimately concluded that those conducting the study “don’t know what it (microfinance) actually achieves” (Duvendack et al., 2011: 75). So, after 30 plus years of microfinance practice and impact assessments, there was no definitive answer as to what microfinance does. Despite this report and countless others failing to provide tangible evidence of impact, the microfinance industry has been unaffected. The growth rate for microfinance has been steady at 15% per annum (ResponsAbility, 2018).

I believe that microfinance has achieved a hegemonic position in global development policy supported by created narratives. The narratives of microfinance appear malleable and respond actively to global trends or critical research. The aim of this literature review is to move away from the “does it or doesn’t it” impact studies discussed in the introduction and explore it structurally within the wider political economy within which this intervention and its narratives have grown. The growth of modern microfinance was concurrent with the growth of a form of *laissez-faire* economic liberalism, known as neoliberalism (Mader, 2015). This signalled a profound change in economic thought in the developed world that inevitably found its way into the logic of development. IFI implemented macro-level structural adjustments paved the way for financial liberalisation and a market based micro-level approach to poverty reduction. Microfinance became the favoured policy choice of IFIs, development institutions and governments pursuing neoliberal reforms. Microfinance supported the macro-policy of structural adjustment alongside maintaining the micro-level market-driven ideology (Weber, 2000; 2002; 2004; Elyachar, 2005; Bateman, 2010b; Mader, 2015; Kar, 2018).

Microfinance supports government retrenchment and reconstructs people’s lives around new narratives of self-empowerment and freedom, all through the medium of finance (Mader, 2015; Kar, 2018). Microfinance urges people to unlearn their previous identities and cultural habits and accept one vision of a capitalist market, in which they are now ‘entrepreneurs’ (Elyachar, 2005). The idea of precarious, informal labour is re-constructed as entrepreneurship and is admired by the world while the real structural issues of poverty are seemingly ignored (Kar, 2018). The individualistic idea of entrepreneurship as a ‘culture’ created the idea that "every subject is rendered as entrepreneurial no matter how small, impoverished, or without resources and every aspect of human existence is produced as an entrepreneurial one" (Brown, 2015:65). The narrative of the poor as entrepreneurs promoted by the microfinance industry assisted the discourse of governments who were making macro-level structural adjustments. It was said that the microenterprise sector, funded by microfinance, could soak up the growing amounts of surplus labour being created by the enactment of SAPs. Critical development theorist Eloise Weber explained that the popularity of the microfinance sector for governments was not only because it served to soak up unemployment but, more importantly, it was a tool which had the disciplinary potential to curtail collective political action through dividing labour into individual units (Weber, 2002).

The promotion of the narratives of microfinance by the microfinance industry, including the IFIs, is part of an established process which allows the industry to assume and reinforce a controlling status in the development context. The IFIs have historically reduced complex multifaceted societal problems to singular technical or financial issues to which hold the solution. In a critique of IFI development policies, James Ferguson (1990) observes the case of Lesotho and specifically the cattle farming market. The IFIs construct the cattle market as uncompetitive and propose a market solution that would promote inward investment and revolutionise the cattle farming industry. Ferguson's analysis demonstrates the misrepresentation of the realities on the ground by the IFIs through narratives. The IFIs used positive assertions of market-based solutions which allowed the IFIs to determine their intervention a success on its own terms. There are many similarities in the promotion of the narratives of microfinance, narratives which themselves define the success of microfinance. MFIs, through the IFIs, are gifted the power to define poverty and how it is best alleviated (Karim, 2008; Karim, 2011).

Microfinance is conceptualised as poverty capital, a merger between development capital and finance capital working together to identify new geographies of investment that can be opened up. The concept shows microfinance narratives as tools with which the MFIs and IFIs promote "truths and knowledge about poverty and poverty as a resource" which is responsive to global capital (Roy, 2010; Mader, 2015:4). The world's poorest have been integrated into global financial networks as part of the neoliberal development discourse, depoliticising poverty by financialising it. The narratives of microfinance position poverty alleviation as an individualist task undertaken by the 'entrepreneur' rather than a redistributive process managed by the state (Brigg, 2001). The narratives fail to account for the often hostile political economy within which the poor operate (Wood, Maitrot and Devine, 2016: 7) and the realities of being a microentrepreneur.

The narratives of microfinance position it as a tool of bottom-up development and social inclusion. However, the financialisation of poverty school sees it as the expansion of the frontiers of capitalism to the world's poorest people. The two conflicting positions require deeper exploration to understand the intervention of microfinance in greater detail. Through this literature review, I investigate how the expansion of the microfinance industry and its surrounding narratives have grown, progressed, and changed over time to achieve broad global support, which is a position microfinance occupies without tangible evidence for its effectiveness (Duvendack et al., 2011). The review of literature traces the wider political economy in which microfinance has grown. The aim is to identify where the narratives have been significantly strengthened because the underlying principles are compatible with wider global trends.

The Origins of Microfinance

It would be difficult to talk about microfinance in any context without talking about Dr. Mohammed Yunus. As understood from the introductory chapter of this thesis, the USAID-sponsored economist's experiments with microloans in the village of Jobra, Bangladesh, was the beginning of what we know as the modern microfinance movement. It was his conception of poverty and solutions to it that form the underlying premise of today's dominant narrative of microfinance. Whilst the term has never been explicitly used, what I term the Yunus School of Microfinance is built around the concept of entrepreneurship. Yunus' book, Banker to the Poor (1999), constructs the poorest of the poor as entrepreneurs, all able to pull themselves out of poverty through enterprise. It was the narrative of entrepreneurship that made this approach so appealing, changing the discourse from poverty as a 'problem' to the poor being the 'largest untapped market'.

> Many of us see the millions of impoverished people in the world as a seemingly unsolvable 'problem'. However, we should see them as the world's largest untapped source of entrepreneurs and consumers (Yunus, 1999:1).

Dr. Yunus' economic 'experiments' took place throughout the 1970s and 80s but it was not until 1999 that Dr. Yunus published his book. By that time the Grameen Bank and its operations were globally renowned, and it was more a book of validation than the introduction of a new narrative. In the book, Dr. Yunus cleverly constructs microfinance against the traditional banking sector which he describes as "not being people worthy". The Yunus School was not traditional banking. It was not about making money and it was not supposed to be exploitative. It was this strong differentiation from the mainstream finance sector that made microfinance attractive to those who would ordinarily oppose connecting banking, or debt, and poverty alleviation.

The Yunus School's legacy of differentiation from mainstream finance and the narrative of entrepreneurship is still dominant today. The dominance is shown in the fact that 'everyone supports microfinance'. What is meant by this statement is not that microfinance is without its critics but it is an intervention that those on both the left and the right of the political spectrum actively support. Large global capitalist corporations work with NGOs, charities, and left-wing think tanks to actively promote microfinance. Organisations like Oxfam, ActionAid (Johnson and Rogaly, 1999) and Save the Children (StC, 2019) share a podium with hedge funds (Matthaus-Maier and Von Pischke, 2006) and global capital (Visa, 2019). The narrative of individualistic self-help became so dominant that it was the only way governments, organisations, and charities envisioned poverty alleviation. The structure within which it operated was unquestionable, the hegemonic narrative of neoliberal capitalism, fitting perfectly with the Western idiom of "teaching a man to fish".

The proliferation of the Yunus School entrepreneurial narrative cannot solely be attributed to Dr. Yunus as his book was not published until 1999. By that time, the microfinance industry and the Grameen Bank was already incredibly well known and well replicated (Syed, 2009). There had been earlier studies on the Grameen Bank, before Yunus' work was published. The Bangladesh Institute of Development Studies and Mahabub Hossain (Hossain and Salimullah,

1984) published one of the first. Mahabub Hossain had investigated the effectiveness of microcredit in rural Bangladesh using Grameen's programme as the case study. Funded by the Washington-based International Food Policy Research Institute, part of a network of research institutes funded by the US Government and the World Bank, Hossain and Salimullah (1984) published their first report into the Grameen Bank. Their work was followed almost immediately by the work of Dharam Ghai (1984) who went on to be the Director of the UN Research Institute for Social Development in 1987. Both studies illustrated credit as an important entry point for economic and social advancement. Coincidentally, both studies were published by the Grameen Bank itself and funded by Washington-backed IFIs.

The 1984 works of Hossain and Ghai were important at the time. However, they were more about experiences of starting an MFI than an impact assessment. The earliest comprehensive impact assessment was published in 1988, again by Mahabub Hossain (1988). Still under the instruction of the International Food Policy Research Institute, he published what for a long time was considered the most important document in microfinance. Hossain's study was the first truly academic review of impact. The work can be considered pivotal in the history of microfinance as it formalised and "proved" what Grameen had been saying. The entrepreneurial self-help solution to poverty worked and now there was evidence. The work of Hossain, championed by the financially supportive IFIs, dominated and drove microfinance discourse for over a decade. It was the basis for much of the work done in the 1990s and was paramount when it came to the building of the structures of microfinance within the development industry.

Hossain's work led organisations who had been experimenting with microcredit, such as the ACCION network, to grow their lending programmes. In 1989, buoyed by the positive findings of Hossain, ACCION stated their public aims with a confidence not seen previously in the industry:

> The programs' raison d'etre is: impact on the lives of the beneficiaries. This impact can be economic, social and human, and occurs through continued assistance to each beneficiary's source of livelihood. This process leads to stabilisation and growth among the firms that are assisted, as witnessed by growing amounts of working capital

> loans that firms can absorb. The programs, then, attempt to reach small firms that can grow. Through the provision of credit and assistance on credit management and other areas, the programs seek to make the firms more financially viable and larger (Olivares, 1989:14 cited in Mader, 2015).

The late 1980s and early 1990s were dominated by the Yunus School of Microfinance which forwarded the entrepreneurial narrative. Entrepreneurship amongst the poor had caught the imagination of the developing world and the microfinance industry grew at an accelerated pace (Robinson, 2001). Across Africa, Asia, and Latin America, microfinance accompanied SAPs as the poverty reduction tool of choice. CGAP, a non-profit financial inclusion think tank based at the World Bank offices in Washington, claimed in 1995 that:

> Financial services to low income entrepreneurs may be the single most effective way to reduce poverty and achieve broad based economic growth (CGAP, 1995b:1 cited in Mader 2015).

Yunus, Hossain, the Grameen Bank and the wider development community had cemented the narrative of the entrepreneur into development mainstream and advanced the structures of capitalism to the poorest of the poor.

Global Political Developments

Whilst Yunus' entrepreneurial microfinance was being trialled in the late 1970s and early 1980s, there were great changes occurring in the global political economy. Post-WW2 economics, which had been heavily influenced by John Maynard Keynes, were being strongly challenged by those of a freer market persuasion. The moderate interventionism as a way of producing superior outcomes in terms of prosperity and employment promoted by Keynesian economic thought was deemed too interfering by a growing band of market liberals. The election of Margret Thatcher in the UK in 1979 and the subsequent election of Ronald Reagan as President of the United States two years later saw the end of interventionism and the beginning of a period of free market fundamentalism (Harvey, 2007).

The rise of neoliberalism was contingent on the Keynesian economic crisis of the 1970s. A number of external factors contributing to a global period of stagflation and large government deficits were seized upon by the neoliberals. Milton Friedman, a Chicago School economist, argued that inflation was high due to the large increase in money supply by governments in the early 1970s. His assessment perhaps ignored external factors such as the oil crisis and the cost of certain wars (Mader, 2015). The ideas of the Chicago School gained ground rapidly, finding support within mainstream economics due to the seemingly empirical nature of their work. Keynesian economics was displaced and the neoliberal ideas of the Chicago school replaced them (Harvey, 2007).

Neoliberalism hit the developing world with full force in the early 1980s (Gore, 2000). The 1970s saw the major internationalisation of the US financial sector and a lending boom across the developing world. In Latin America, government debt rose at an annual compounded rate of 24% between 1970 and 1978. In the late 1970s, it became apparent that the ability for developing nations to continue servicing their debt was diminishing. Another oil crisis in 1979 further exacerbated the problem. However, the problems did not stop the further accumulation of national debt and developing countries' debts doubled between 1979 and 1982 (Harvey, 2007). The early 1980s saw interest rates grow as the US Federal Reserve tried to combat high inflation in the US. This compounded the precarious debt service coverage of developing nation governments. In August 1982, Mexico was the first nation to disclose it could not meet its interest obligations on government debt. This triggered a chain of defaults across the developing world and by the end of 1982, 40 countries were in arrears on their debt. One year later 27 of those 40 nations were in negotiations with the Washington-based IFIs to restructure their debt (Harvey, 2007).

This was the neoliberals' opportunity to demonstrate their brand of economic development policy. In response to the debt-led state development policies of the past, a new breed of liberal economic reform was promoted. In what became known as the Washington Consensus, the IFIs, and the US Treasury Department prescribed policies of macroeconomic stability through fiscal discipline, public service retrenchment, state privatisation, trade liberalisation, tax reform, deregulation, and securing of property rights (Gore, 2000). These changes were implemented through SAPs as conditions of debt refinancing and the provision of further loans to defaulting governments (Easterly, 2005). Structural adjustment loans were not to be used for infrastructure or industry but for implementing the austerity policies of the Washington Consensus. Third World governments went about cutting social spending, removing subsidies and price controls, reducing the size of the public sector, and privatising state industries. These changes had a profound negative impact on the populations of those countries, disproportionality the poorer. SAPs produced mass unemployment, general unrest and created a political threat within those nations. The IFIs needed policies to address the threats arising from the SAPs. It was important, however, that the policies were within the structure of the Washington framework (Denters, 1996).

It was at this juncture that the IFIs saw the potential of microfinance. With growing unemployment from the shrinking government and formal sectors, there was a realisation (or a hope) that the informal sector could soak up some of the unemployed (Mader, 2015). The informal sector could be encouraged by the far-reaching provision of credit to the new unemployed, or entrepreneurs, as they then became known. Microfinance was formally included for the first time in 1985 as part of the SAP for Bolivia in a programme called the New Economic Policy (NEP) (Glaessner, 1994). Microfinance was part of the emergency social fund, a temporary measure designed to assist the informal sector and support the adjustment process until formal employment was re-created by the private sector (Glaessner, 1994; Weber, 2004). The formal inclusion of microfinance was being influenced by the World Bank-funded impact study by Hossain and Salimullah (1984). The study, which validated the usefulness of microfinance within the context of high unemployment in Bangladesh, was used as a comparative case for Bolivia. Subsequently, microfinance was rolled out as part of the NEP. Under the NEP, microfinance was to be provided by the NGO sector who delivered subsidised pro-poor targeted poverty reduction microfinance. The aim of this was said to be twofold: first, to act as a social safety net and second, perhaps more controversially, to reduce political opposition to the NEP by providing a lifeline to those that opposed it (Jenkins, 1994; Jorgensen, 1992). Whilst the NEP's macro-economic overall results were questionable (Jenkins, 1995), in the eyes of the World Bank, microfinance in Bolivia was a success (Robinson, 2001).

Buoyed by the Bolivian case, the World Bank sought to increase microfinance provision within the blueprint of all future SAPs (Mader, 2015). The combination of SAPs with microfinance was rolled out across Asia, Africa, and Latin America. The IFIs used the NGO sector to provide microfinance, actively encouraging the formation of microfinance NGOs. The role each party played were mutually beneficial. As the IFIs implement the SAPs, they knew that unemployment and poverty would grow; creating a role for newly formed NGOs (Bateman and Chang, 2012). At this time, NGO microfinance was subsidised, often by the IFIs. NGOs were provided operational allowances to support their formation as well as cheap funds which meant they could offer low rates of interest to their clients.

SAPs, backstopped by the social safety net of microfinance, were introduced across the developing world throughout the 1980s. During this time seminal works of the likes of Hossain (1988) and De Soto (1989) were published and promoted which validated the role of microfinance through the narrative of the entrepreneurial poor. It was constructed as a methodology that could be universally applied across the world to solve the problems of poverty. The microfinance industry worked tirelessly to further validate the claims of microfinance with assessments of their own programmes, conducted by themselves. Examples of these are the likes of Grameen's annual report (1984 onwards), BRAC in Bangladesh (1996; 1998), ASA in Bangladesh (1997) and CARD in the Philippines (1997). All of which found overwhelming evidence in support of their own programmes. The narrative of the Yunus School of microfinance, the bottom of the pyramid entrepreneur, dominated the industry, development discourse and even permeated the opinion of the wider public who were growing in support of microfinance.

The deterioration of human welfare under the SAPs led to a change in focus by the IFIs (Sadasivam, 1997). From the outset it was clear that SAPs were failing in their aims to shift employment from the public to the private sector and the policies were facing increased criticism (Jenkins, 1994). Forced government austerity had impacted employment and retrenchments in government spending had affected poverty levels. Healthcare and education were privatised and utility costs had been increasing rapidly (Easterly, 2005). The IFIs were aware of the poverty and discontent SAPs caused and needed to expand their own role in poverty alleviation (Kapur, Webb and Lewis, 1997). Poverty alleviation needed to become a fundamental part of economic structural adjustment but also needed to maintain the neoliberal ideology. The IFIs attempted to stop quantifying humans in terms of factors of production and acknowledged that economic decline threatens human wellbeing, especially those in vulnerable positions and the poor (Weber, 2004). In 1987 UNICEF and other IFIs published "Adjustment with a Human Face: Protecting the Vulnerable and Promoting Growth" (Cornia, Jolly and Stewart, 1987), which was described as "alternative adjustment" where poverty alleviation was to be "properly integrated" into SAPs, not just an NGO "bolt on".

The IFIs took this opportunity and expanded their programmes of microfinance. Microfinance was fully and formally integrated into the World Bank's 1991 operational directive, providing that integrated poverty alleviation tool called for by UNICEF (Weber, 2004). This gave the macro-level adjustments a formal micro level counterpart that would "ensure positive human outcomes" from the SAPs. The micro-level interventions added complementary programmes to microfinance. They had a focus on health and nutrition as well as sectoral policies that promoted the growth of small-scale agriculture and local service industries. This complimentary role was undertaken by the microfinance industry themselves alongside their loan books. This worked to support the idea that "reducing poverty is an ethical and pragmatic good, which properly negotiated, can be cost-effective" (Cornia, Jolly and Stewart, 1987:12).

This became known as the Post-Washington Consensus and was considered a step forward in countering the failings of the Washington Consensus. It was the realisation that markets alone do not produce an equitable distribution of wealth and there is a need for greater social safety nets (Stiglitz and Charlton, 2004). The Washington Consensus targeted a limited set of objectives using a too narrow range of policies whilst the Post-Washington Consensus refocused policy on poverty reduction (Weber, 2000). Whilst the rhetoric of the Post-Washington Consensus was focused on solving the micro-level issues of poverty, the macro level was still based on neoliberal reforms, the underlying causes of the poverty (Weber, 2002).

Microfinance and the complementary social programmes under the Post-Washington Consensus were used to address the poverty and unemployment created by the structural adjustment reforms. The relationship became a reinforcing cycle. As more neoliberal reforms were implemented, more poverty was created, and there was a greater need for microfinance (Stiglitz, 2004). Heloise Weber, a sceptic of the Post-Washington Consensus, positioned it as no more than rhetoric to soften the blow of the Washington Consensus (2000; 2002; 2004). The Post-Washington Consensus was no more than a tool to dampen resistance to SAPs at a community level and to expand the frontiers of neoliberalism. The World Bank itself noted microfinance as a tool was only chosen because its entrepreneurial self-help philosophy was consistent with the economic framework of neoliberal reforms (Jorgensen, 1992).

Throughout the 1990s, entrepreneurial microfinance was a key poverty alleviation tool built into the framework of the SAPs. To support the implementation of microfinance a body of literature was produced supporting the narrative of the entrepreneurial poor. The narrative supported the notion that the poor, through microfinance, had the ability to help themselves out of poverty, complementing the actions of the SAPs. The most well publicised work was that of Mark Pitt and Shahidur Khandker (Pitt and Khandker, 1998). The authors, based at Brown University and funded by the World Bank, gave an updated analysis of the Bangladeshi microfinance industry. Studying three programmes, including the Grameen Bank their study reaffirmed the positive claims microfinance had on both beneficiaries and on development. The study claimed, which was also a claim that was backed by Dr. Yunus, that “5% of Grameen borrowers escape poverty each year” (Pitt and Khandker, 1998: 266). The findings validated the narrative and further reinforced the position of microfinance as development orthodoxy. IFIs and NGOs were proven to be able to alleviate poverty through well designed, subsidised credit programmes promoting enterprise development amongst the poor.

The Model Changes but the Narrative Remains the Same – Financial Systems

Originally under the Washington Consensus, microfinance and the informal sector were designed as temporary interventions to provide relief from the immediate rise in unemployment under the SAPs (Weber, 2000). However, the formal private sector was either shrinking in those countries due to pressure from cheaper imports allowed under the newly liberalised trade regimes or from industrialising with new capital-intensive, not labour intensive, methods. Whatever the reason, the private sector was not producing the rise in formal employment expected (Young, 2010). The gravity and scope of the poverty created under the SAPs and the lack of solution presented by the formal private sector meant that microenterprise and microfinance 'had to' become the permanent solution to poverty alleviation (Cornia, Jolly and Stewart, 1987; Weber, 2002).

Once microfinance was established as permanent development architecture, access on such a scale could no longer be subsidised. If microfinance was the 'proven' answer, then the commercial market was the only feasible model for its expansion (CGAP, 1995b; Bateman, 2010b; CGAP, 2012). This was the beginning of the new model of microfinance, the 'Financial Systems' model (Robinson, 2001). The narrative of the entrepreneur remained the same and it was the method by which they were served that changed.

> The conventional view has held that microenterprise finance helps poor people and therefore is a desirable development activity but that it cannot be financially viable. Small loans, it is said, are simply too costly to administer, and the profits from such lending too meagre to permit profitability. However, a study examining some of the best microfinance institutions concludes that this conventional wisdom is quite wrong. Microfinance institutions can and indeed need to be self-sustaining if they are to achieve their outreach potential providing rapid growth in access to financial services by poor people to help them run their business (CGAP, 1995b: 1).

A critical part of the Yunus School of Microfinance was based on a methodology called 'poverty lending', with the primary goal to help the poor. Credit was provided to the poor on a heavily subsidised basis and donor funds were lent to beneficiaries alongside a host of other social programmes (Yunus, 1999). It was this model that was first championed by the IFIs as part of the SAP response to poverty and mass unemployment. It was the positive associations of heavy subsidies and low interest rates that originally gained acceptance for the narrative.

However, even at the earliest stages of microfinance development, it was clear that microfinance and social programmes had a significant cost which might impact its expansion. Hossain's seminal study (1988) notes that to balance equity and developmental considerations with cost there is a continuing need to subsidise microfinance and the associated social programmes. In clear language, the cost of operating an MFI is too high for the borrowers alone to bear. Yet, if microfinance was to be expanded in line with World Bank demands, then the limitations associated with operating as NGOs with donor funds and subsidies needed to change. Institutional self-sufficiency through cost recovery was the shift that would enable microfinance to offer its 'full potential' to poor clients across the world (Robinson, 2001; Hulme and Arun, 2009).

The move away from subsidies and towards the 'financial systems' model of microfinance was helped along in the 1990s by the downfall of state-sponsored rural credit programmes across the developing world. Rural credit programmes administered and subsidised by governments throughout the 1970s and 80s were being widely discredited and cast as failures (Yaron, 1992). Rural programmes offered below market interest rates on agricultural loans, subsidised by governments. The programmes had poor repayment rates and the intervention was explained as being 'undervalued' by borrowers. It was constructed that the poor did not value what they did not have to pay for, used it carelessly, and felt no obligation to repay (Robinson, 2001). Furthermore, it was common for state-sponsored rural credit programmes to have funds siphoned off by local elites or be lent according to local status favouring wealthier beneficiaries with higher social status. Rural credit programmes became synonymous with being pro-elite anti-poor and of high cost to the state due to inefficiencies and corruption (Robinson, 2001; Braverman and Guasch, 1990).

At the same time, new studies demonstrated that NGOs could run successful pro-poor interventions based on unsubsidised credit. These programmes reported high repayment rates, over 98%, and had interest rates far higher than the rural credit programmes at profit making levels (Hossain and Salimullah, 1984; Hossain, 1988; CGAP, 1995b; Pitt and Khandker, 1998; Khandker, 2003). MFIs constructed the repayment of their loans as the poor valuing credit that they paid for (Khandker, 2003). The construction of the studies around the downfall of government rural credit programmes not only demonstrated that subsidised credit was 'negative' but that they also spun credit demand as price inelastic, meaning that higher interest rates charged by MFIs were not a deterrent to credit demand (Kochar, 1997).

The poor, it was said, could use the credit to produce higher returns on capital than the interest charged, therefore, price was unimportant compared to supply (Kochar, 1997; Bell, Srinivasan and Udrry, 1997; Karlan and Zinman, 2009). MFIs could lend at central bank rates or higher and the poor would borrow. This enabled MFIs to become sustainable financial institutions that covered their own costs. MFIs could expand, make a profit, and assist the poor simultaneously (Christen, 1997), exactly as the IFIs had hoped. MFIs own studies constructed the borrowing and repayment of high interest loans by the poor, as a rational choice made by microentrepreneurs who knew they could make marginal returns above the interest rate by running their businesses (Woodruff, McKenzie and de Mel, 2007). What these studies failed to acknowledge was the fact that the poor are highly constrained in their consumption and might borrow whatever the cost due to immediate demands (Bateman, 2010b; Duvendack et al., 2011; Mader, 2014; 2015).

The financial systems approach to microfinance is built on a double bottom line, a win-win approach to lending (Montgomery, 2005; Hulme, 2008). The organisational sustainability of an MFI will determine over time how many people it can reach and how much poverty it will alleviate (Armendariz and Morduch, 2005). As subsidised credit came to an end, subsidies for MFIs did not (Cull, Demirg-Kunt and Morduch, 2009). MFIs switched the use of subsidies from subsidising the borrowers directly through cheap interest to subsidising themselves. The subsidies were used to discount wholesale funds for the MFI while charging the poor market or above market interest rates which significantly increased profits of MFIs (Mader, 2015). Subsidies for ‘financial systems’ microfinance were seen as a short-term solution while MFIs became sustainable, justifying the short-term use of subsidy for MFIs over directly subsidising the poor (Mader, 2013). However, in 2010, as many as 95% of MFIs were still receiving subsidies whilst making a profit (El-Zoghbi, 2011; Bateman and Chang, 2012).

The financial systems model of microfinance, as well as creating profit making entities, also diminished the direct intervention of governments in the microfinance process (Bateman, 2010b). It became a normal model of operation for organisations like CARE International, KIVA and others to use external for-profit MFIs to undertake their microfinance activity (Bateman and Maclean, 2017). This removed the direct line of sight between the NGOs and the borrowers, yet the NGOs still claimed a positive impact. The creation of the sustainable financial systems approach was about expanding microfinance access to all those that 'needed it'. Commercial MFIs described an 'absurd gap' between supply and demand for financial services, a gap that they were able to fill (Robinson, 2001; Robinson, 2009). The gap, however, was actually created by constructing financial services as a 'basic human right', and therefore, something that 'everyone needs' (Bateman and Chang, 2012). According to the World Bank, there are 2.5 billion people 'excluded' from financial services (WBG, 2014), 80% of those living on less than $2 per day. The premise of the gap and the expansion of financial systems microfinance is that there are those who are 'without' and therefore should be provided for (Mader, 2013). The construction of the concept of financial services as a 'right' has avoided the scrutiny it might deserve, allowing the new narrative of 'financial inclusion' to appear (Bayulgen, 2013).

The growth of microfinance was facilitated by the strength of the entrepreneurial narrative and the increasing demand for loans was interpreted as a demand for productive microfinance for business purposes. The entrepreneurial narrative had allowed the microfinance industry to construct its own profitable operational model within the structure of neoliberal capitalism. The poor were worthy borrowers because they were entrepreneurs and working hard and they needed the credit to be productive. The hardworking microentrepreneurs valued credit as it allowed them to be productive. They could and would therefore pay market, or higher, interest rates. The narrative of entrepreneurship and the tool of sustainable microfinance meant that the process of bottom-up development was reinforced as win-win (Robinson, 2009; Robinson, 2001; Bateman and Chang, 2012). The World Bank, through its microfinance best practice guidance (Ledgerwood, 1999), promoted the move from poverty lending (subsidised interested rates) to financial systems (for-profit market interest rates) holding those constructed ideas and assumptions as objective facts (Hulme and Arun, 2009).

In tracing the literature through the foundational years of the entrepreneurial narrative I argue it demonstrates the formation of hegemony. The concept of the poor as entrepreneurs was promoted and replicated by governments, IFIs, MFIs, and NGOs to the point it seemingly became common sense within the development industry. It was the hegemony of the entrepreneurial narrative and the acceptance of assumptions that went with it that allowed the industry to refocus impact assessments away from beneficiaries onto institutions. Previously beneficiaries were the sole focus (Hossain and Salimullah, 1984; Hossain, 1988; Yunus, 1999) of impact assessments. However, in the late 1990s and early 2000s onwards, the health of the MFIs was the dominant focus of the impact studies. The entrepreneurial narrative made it implicit that borrowers benefitted from the action of lending, high repayment rates and returning clients indicated a causal positive effect on borrowers of borrowing (Simanowitz, 2001). Ledgerwood's 1999 publication for the World Bank was one of the earliest indications that the financial sustainability of the MFI was to become a more important focus of study than the intended beneficiary.

A significant body of literature (Ledgerwood, 1999; Robinson, 2001; Ledgerwood, 2006; Armendariz and Morduch, 2005; Hulme and Arun, 2009; Cull, Demirg-Kunt and Morduch, 2009; Robinson, 2009; Ledgerwood, 2013) focused on the institutional methods for MFIs to achieve financial sustainability. The change in impact assessments were accompanied by a fundamental change in the language of microfinance. Donors became "funders" (Bateman, 2010b), beneficiaries became "clients" (ACCION, 2008a), and impact became "market penetration" (Ledgerwood, 2006). The industry had fundamentally changed in structure while the underlying entrepreneurial narrative maintained the historic positive perceptions. A result of what I argue to be the hegemony of microfinance. The entrepreneurial narrative of the Yunus School remained but the rationale was now of sustainable financial systems.

Financial Systems to Financial Inclusion – A New Narrative and a New School

Harvard economist Jonathan Morduch (1998) published a paper in direct response to Pitt and Khandker's research on the Bangladeshi microfinance industry (Pitt and Khandker, 1998). Morduch challenged Pitt and Khandker's findings of positive impacts on the borrowers of microfinance. The challenge, rooted firmly in the paradigm set by microfinance, stated not that microfinance did not achieve anything, but it achieved something different to that stated by Pitt and Khandker's research. The point of Morduch's challenge was not that microfinance did not impact the lives of the poor, just that the impact was different to the narrative of the Yunus School. Microfinance was impactful to the poor, not as entrepreneurs but as a tool to reduce vulnerability in their everyday lives (Morduch, 1998). Morduch, who is pro-microfinance, states that microfinance is important for the poor but will not necessarily lift them out of poverty as entrepreneurs. In perhaps one of the most widely known academic debates in the field, Morduch along with David Roodman (Morduch, 1998; Roodman and Morduch, 2009; Roodman and Morduch, 2014) debated with Pitt and Khandker (Pitt and Khandker, 1998; Pitt, 1999; Pitt, Khandker and Cartwright, 2006; Pitt, 2014b; Pitt, 2014a), pitting microfinance against microfinance. There was no challenge to microfinance itself, only the outcome was debated. Was it a tool to promote entrepreneurship or was it a tool to reduce vulnerability? This was the beginning of the 'financial inclusion' narrative.

The narrative of financial inclusion worked to maintain the position of microfinance as a key development tool but changed the purpose of that tool. Mader (2015) observed the discourse of some of the major organisations involved in microfinance over a 10-year period to illustrate the change. When the narrative of the Yunus School was dominant in the 1990s, microfinance was touted as "the single most effective way to reduce poverty and achieve broad-based economic growth" (CGAP, 1995a:1 cited in Mader 2015). By 1998, the same organisation claimed microfinance "creates opportunities for the poor to create, own and accumulate assets and to smooth consumption" (CGAP, 1998:1 cited in Mader 2015) and moved the narrative away from poverty alleviation and entrepreneurship as the driver of economic growth but still indicating the productive nature of microfinance. In 2000, CGAP (CGAP, 2000) claimed it was the "Microfinance Services Era", removing the aims of enterprise and the accumulation of assets entirely. By 2001, the ideas of the Yunus School were totally removed from the discourse, microfinance was now about "providing poor households throughout the world with flexible and high-quality financial services on a sustainable basis" (CGAP, 2001:1 cited in Mader 2015). The same change was present at ACCION, moving from "Impact can be economic, social and human, and occurs through continued assistance to each beneficiary's source of livelihood." (Olivares, 1989:14 cited in Mader 2015) to:

> Full financial inclusion is a state which all people who can use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. Financial services are delivered by a range of providers, most of them private, and reach everyone who can use them, including

disabled, poor, rural, and other excluded populations (ACCION, 2008b cited in Mader 2015).

The new narrative constructed microfinance as an end rather than the means. There was no longer any mention of alleviating poverty or economic development, just the provision of financial services as the goal (WBG, 2014). The Yunus School narrative of poverty alleviation through entrepreneurship had been removed from the discourse and a careful positioning of language presented financial inclusion as its replacement despite no explicit claims of impact on poverty or development (Mader, 2015; Mader, 2017a). Financial inclusion became the purpose of MFIs with the large-scale provision of a full suite of financial services, loans, savings, insurance for the poor by sustainable, and profitable institutions (Robinson, 2009). By slow metamorphosis, the new narrative replaced the old.

The full replacement of the entrepreneurial narrative is demonstrated by CGAP in their report, Advancing Financial Access for the World's Poor (2012). The report is a 15-year review of their activities, from inception until the time of publication. The notion of the microentrepreneur or microenterprises is notably missing from the whole document. Instead, their activities in the 1990s *"*enabled MFIs to serve low-income families that previously had been considered 'un-bankable'*"*, and that CGAP proved that poor families *"*could be served in a sustainable fashion*"*. According to the 2012 report, CGAP from the outset focused on *"*supporting early experimentation, collecting and disseminating information about sound practices, and broadly advocating for a sustainable approach to the provision of financial services for the poor*"* (:7). This runs contrary to the early reports produced by CGAP which stated microfinance was *"*the single most effective way to reduce poverty and achieve broad-based economic growth*"* and that "Microentrepreneurs have shown that they repay market-based loans, and use the proceeds of business to increase their assets, their living standards, and their roles in shaping societies*"* (CGAP, 1995a: 3 cited in Mader, 2015). It appears that CGAP has re-written its own institutional memory to remove the entrepreneurial narrative now that it has been disproven.

The formative work of a team of US-based economists legitimised the narrative of financial inclusion in their book, Portfolios of the Poor (Collins et al., 2009). A collection of US universities and MFIs collected ‘financial diaries’ of the poor over the period of a year. The book tracked how poor households organised and managed their finances. The aim was to obtain a deeper understanding of financial tools used by the poor and sought a detailed view of the potential for financial inclusion. The financial lives of hundreds of poor illustrate the complexities of living in poverty when it comes to money management. Participants were shown to use multiple formal, semi-formal, and informal financial intermediaries. Loans from formal MFIs were recorded in the portfolios, although few were used for entrepreneurial activities. MFI loans were shown to be used for various types of consumption and household expense. Moneylenders, whose microfinance was originally designed to eradicate from the lives of the poor (Yunus, 1999: 12), were often used in the portfolios, especially due to their flexibility. Informal money lending, family, and money lenders were all often used to repay loan instalments to MFIs (Collins et al., 2009). One of the overlooked conclusions of the book was that regular predictable income, such as a salary, pension or social security, provided overall greater positive outcomes in terms of wellbeing than any financial intervention or an income from a microenterprise.

However, what Collins et al (2009:184) did conclude was a reconstruction of poverty from meaning the lack of money to meaning the lack of financial services: “Not having enough money is bad enough. Not being able to manage whatever money you have is worse.” Indicating that the pursuit of full financial inclusion on the grounds of it being more important than money to the poor was now of critical importance. There was no discussion of the logic of financial inclusion as a development imperative or why it should be pursued over other forms of inclusion, for example, health or educational inclusion. This premise was simply assumed throughout.

The new narrative of financial inclusion successfully removed the entrepreneurial narrative of the Yunus School of Microfinance, of increasing the incomes of the poor, and replaced it with the aim of improving the efficiency with which they move their limited finances (Mader, 2015; Mader, 2017a). Collins et al’s (2009) work, along with the works of Pitt and Khandker (Pitt and Khandker, 1998; Pitt, 1999; Pitt et al., 2003; Pitt, Khandker and Cartwright, 2006; Khandker, 2012; Pitt, 2014b; Pitt, 2014a), Roodman and Morduch (Morduch, 1998; Roodman and Morduch, 2009; Roodman and Morduch, 2014) and others (Christen, 1997; Robinson, 2001; Ledgerwood, 2006; ACCION, 2008b; Robinson, 2009; Ledgerwood, 2013; Yousefi, 2015; Visa, 2019) have been crucial in forwarding the financial inclusion narrative which is now deeply imbedded in development policy and instrumental in achieving the SDGs.

From entrepreneurship to financial inclusion, this section of the literature review has demonstrated how the microfinance industry has changed and promoted narratives to support the continuation of microfinance in development policy. Despite the fact that evidence has disproved the entrepreneurial narrative and microfinance policy has been diverted away from it, as will become evident from the case study of this thesis, Yunus' ideas are still pervasive in parts of the microfinance industry. I maintain that it is hegemony that supports the position of the entrepreneurial narrative in the industry and it is the positive associations of entrepreneurship that have allowed the narrative of financial inclusion to go largely unchallenged (Bayulgen, 2013). I argue that financial inclusion has piggybacked on the hegemony of the entrepreneurial narrative which has allowed its core assumptions to be implemented without scrutiny or contestation (Mader, 2017a). Financial inclusion is said to support wider development goals, assist the poor in their daily lives, relieve the effects of poverty. However, studies (Mader, 2016; 2017a) demonstrate that many of those claims are without foundation or evidence. Through the promotion of narratives to maintain hegemony, the microfinance industry has positioned financial inclusion in the same way they positioned entrepreneurship, a compelling narrative that has become common sense among the development community.

Entrepreneurship to Consumption Smoothing

The narrative of the Yunus School made entrepreneurship, poverty alleviation, and development central to the intervention of microfinance (Yunus, 1999). Financial inclusion moved the imperative to provide financial services to all, no matter what the end use of the product or service (Robinson, 2009). Microfinance loans were, therefore, open to be used for whatever the borrower liked, even basic food consumption. Consumption as a use for microfinance is actually not new. In the early literature, the fundamentals of microfinance for microenterprises were challenged, although not explicitly highlighted (Hossain, 1988:49). Consumption had appeared as a use for loans in a number of well noted studies but had been simply unacknowledged by MFIs and IFIs. Studies actually showed that loans were seldom used for the purpose of enterprise (Rahman, 1999; Ledgerwood, 1999; Matthaus-Maier and Von Pischke, 2006; Bateman, 2010b; Bateman and Chang, 2012; Sinclair, 2012; KPMG, 2013; Mader, 2013; Mader, 2014). FINCA's (one of the world's largest MFIs) founder John Hatch said that "90% of loans were always used for current consumption rather than to fuel enterprise" (HBR, 2007).

The construction of the poor as willing entrepreneurs is challenged by the findings of consumption debt. The construction of poor entrepreneurs was seemingly not considered problematic throughout the history of microfinance and was broadly accepted as the narrative told an appropriate story. Observationally, the entrepreneurial behaviour of individuals in the developing world that perhaps encouraged the narrative construction is more likely born of necessity than true entrepreneurship spirit (Bateman, 2010b). Alongside claims that enterprise loans are spent on consumption, other microfinance studies showed that MFIs themselves found it impossible to monitor and enforce loan use. The significant cost of monitoring where loans were spent meant that MFIs could not know if loans were used for enterprise or consumption (Arunachalam, 2011). Quotes from microfinance clients identified that throughout their long relationship with MFIs (lender-borrower), "They [the MFI] didn't seem to care what I would do with the money" (Mohan, 2010; Mader, 2015:174). The narrative of entrepreneurship and the emerging reality was very different.

As the narrative changed to financial inclusion, the acceptance of loans for consumption became publicised and widespread. The microfinance industry no longer hid behind false ideas of entrepreneurship and adopted the phrase 'Consumption Smoothing' as a way of justifying the importance of the loan. Consumption smoothing meant there was a reduced variance in income over time allowing more stable year-round consumption of microfinance clients (Zeller and Sharma, 2000). Consumption smoothing justifies the continuation of microfinance programmes as an alleviator of the symptoms of poverty especially the symptom of income constraints (Dunford, 2013). Microfinance allows borrowers to smooth the inconsistent supply of money that is associated with living in poverty, enabling the immediate consumption of food in tough times, the paying of school fees when they are demanded or emergency health care when needed (Zeller and Sharma, 2000).

Under the basic principles of banking, lending for consumption is high risk, especially at lower income levels. Debt service is likely to be limited due to the low level of income and therefore financial institutions charge high rates of interest to manage the risk carefully. Lending for business expansion, the idea behind the Yunus narrative, is different whilst not necessarily less risky. If an investment is made in an income generating activity, theoretically the ability to service the debt should increase as the income from the activity is generated. Under the Yunus School, a beneficiary's income was expected to increase due to the new business activity, giving them the ability to service the debt even though they were poor (Yunus, 1999). Whatever the reality, the theory of the narrative was plausible.

From a technical perspective, Financial Inclusion's approach to lending for consumption relies on repayment from existing income streams, something that amongst the poor are already known to be constrained. Therefore, comparisons have been drawn between the payday lenders of the West and this new narrative of microfinance. However, payday lending is debated academically from a negative standpoint (Stegman, 2007). It is also enforced and regulated tightly by governments (FCA, 2016) and subject to significant negative coverage, particularly from charities (Oxfam, 2016). Despite this, MFIs are championed as providers of social improvement and supported by everyone from governments to charities, the same charities that campaign against payday lending (Oxfam, 2008). For example, Oxfam states pay day loans are a significant negative factor in the state of UK poverty today (2016), while explaining that microfinance is critically important for the lives of the poor (2008). Whilst globally, reasons for borrowing money are diverse, in the microfinance sector and for the poor, that reason is more likely to be a lack of money for basic goods and services (Mader, 2015). As early as 1973, Amit Bhaduri (1973) observed the borrowers of moneylenders in India. His observations indicated that borrowing for consumption was a sign of desperation and done as a last resort due to abject poverty. Under the narrative of Financial Inclusion, the same conditions now are presented as a free rational choice made by individuals who are now 'included' (WBG, 2014; Visa, 2019).

A number of studies (Mohan, 2010; Stoll, 2012; Hummel, 2014; Salazar, 2014) explain that it should be no surprise that people who are financially constrained borrow for food, education or medical expenses, as those items are desperately needed and now often commercially provided. Thomas Dichter, who had a 40-year career in international development, explains that consumption borrowing should not be seen as individuals naively borrowing for consumption's sake. His book shows that the borrowers understand the choice and consequences of microfinance. For them, borrowing is a choice, but a choice that is often between eating and starvation (Ditchter, 2007).

Is Consumption Smoothing a Development Imperative? – Microfinance Impact

The microfinance impact assessments that focused on borrowers sought to identify impacts in terms of changes in indicators of poverty. These indicators were primarily an increase in income and business investment or an increase in consumption in anything from durable goods and property to food, health care and education. The consumption increase was always explained as having been paid for by increased business income under the entrepreneurial narrative of the Yunus School. However, modern randomised control trials, that measured income increase over time repeatedly found no significant results (Banerjee, Karlan and Zinman, 2015). There was no evidence that microfinance borrowers increased their income or started a business. A small proportion indicated that they made business investments and there was certainly no evidence that linked income generation to escaping poverty (Chowdhury, 2009). For an intervention that is supposed to generate income through enterprise, these were disappointing results.

However, the results are not unexpected. Hossain’s (1984; 1988) and Ghai’s (1984) works, both used to promote microfinance in the early phases, both indicated significant impact limitations. The authors note that if microfinance were to expand as a tool for entrepreneurship, given the limited capacity of the borrowers and inelastic markets, there would likely be a surplus of specific basic goods and services in each location. People targeted by microfinance were not skilled innovators but likely to perform basic services (shoeshine) or sell basic goods (fruit and veg). These enterprises were not expansive by nature. In the short- to medium-term, microenterprises would lead to a decline in prices and limit overall developmental impact. The economic situation presented in the literature is the demand side, however, entrepreneurial microfinance is a supply side solution (Hossain and Salimullah, 1984; Dharam, 1984; Hossain, 1988). Whether the microfinance industry and the IFIs missed or ignored Hossain's statements, they were not accounted for in the role out of microfinance under the SAPs. The narrative was strongly presented as one of enterprise to escape poverty. MFI proliferation in certain areas was associated with increasing levels of enterprise and presented as the success of microfinance in creating enterprise and growth. However, the findings of Banerjee and Duflo and others indicate that MFI proliferation is from the re-financing or recycling of existing consumption debt (2015).

Consumption indicators have always been more definitive when it comes to demonstrating impact in microfinance studies. Consistently, studies that observe consumption as a measure of impact find that access to microfinance produces a successful outcome, quantified as an increase in consumption (Todd, 1996; Alexander, 2001; Dunn and Arbuckle, 2001; Snodgrass and Sebstad, 2002; Kaboski and Townsend, 2005; Kondo, 2007; McKenzie and Woodruff, 2008; Bruhn and Inessa, 2009; Banerjee, Karlan and Zinman, 2015). Access to microfinance, therefore, increases consumption, however, under the narrative of entrepreneurship, consumption is shown as being increased by profit from a microenterprise, not from merely spending the loan. The narrative of entrepreneurship determined that an increase in consumption fuelled by business income would be sustainable over time. However, research showed that microfinance is not used for microenterprise (Chowdhury, 2009) and that consumption increases are short-term one-off increases associated with the expenditure of loan capital (Banerjee et al., 2015). Portfolios of the Poor (Collins et al., 2009) further illustrates through qualitative data that borrowers borrow to consume or to pay back other loans also used for consumption.

Under the financial inclusion narrative, lending for consumption is now presented as the development imperative, not to generate an income. Whilst it could be conceived using definitions of development such as those given by Sen (2001) that access to credit represents freedom of opportunity, the research found debt is used primarily on the emergency consumption of medical supplies or basic services like paying for previously publicly provided education (Pitt et al., 2003; Amin, Rai and Topa, 2003; Gertler, Levine and Moretti, 2009; Islam and Maitra, 2011). Therefore, claiming that microfinance is freedom when all it allows is for the poor to pay for services that the governments of the borrowers have commercialised appears disingenuous. The argument for financial inclusion has two broad failings; first that debt for the income constrained is unlikely to improve their situation and, second, it fails to problematise the fact that the poor now have to pay for emergency health care, basic education, or drinking water. Access to credit is a fundamental human right but access to health or water is not.

The narrative of financial inclusion has never been as widely acknowledged as the entrepreneurial narrative, the latter being still largely associated with the microfinance industry (Olugbenga, 2017). This is demonstrated by the seminal randomised control trial (RCT) "The Miracle of Microfinance" (Banerjee et al., 2015). The study found that "entrepreneurial activity was not cited as a frequent use for loans amongst their sample population" yet the opening statement and the executive summary stated, "Small business investment and profits from pre-existing business increased" (: 1). The representation of the data puts microentrepreneurial activity at the forefront of impact yet the data from the study and the MFIs who participated explain the largest use of loans by far was basic consumption. The narrative of financial inclusion is yet to be appealing enough to lead the headlines. Financial inclusion fails to demonstrate any developmental outcome and therefore the Yunus School narrative is used to present a more development focused outcome that people relate to.

In the same study, Banerjee et al (2015: 3) explain that net consumption did not actually rise. The study observed that "Durable goods expenditure increased, while 'temptation goods' expenditure declined (equally)". The study constructs the purchase of durable goods as rational investment decisions by the borrowers, replacing 'temptation goods' with 'durable goods', borrowers are "making better decisions". However, other readings of the study explain the change in purchasing behaviour as borrowers buying what their constrained income would not ordinarily allow. The cutting back on temptation goods like "drinking tea outside of the home" is to facilitate the loan and interest repayment, not necessarily "making better decisions". Microfinance when explained in this form appears to be about behavioural change to facilitate the growth of capitalism amongst the poorest (Bateman, 2010b; Bateman, 2014; Bateman and Maclean, 2017). Banerjee et al's study concluded that "enhanced microcredit access does not appear to be associated with any meaningful increase in consumption after 15 to 18 months" (2015:11). Illustrating that once the loan capital is spent, borrowers are considered to be in the same position as before their loan.

To say Financial Inclusion microfinance has demonstrated no impact is not necessarily correct. As expected in situations where income is constrained and public goods such as health and education are no longer provided by the state, many households borrow to cover those costs (Mader, 2017a). Accessing a loan for medical care or school fees may be the only option borrowers have if they want treatment or their children to be educated (Islam and Maitra, 2011). Financial inclusion microfinance may not be used to generate income and reduce poverty but it does give individuals the tools to negotiate a market economy. The neoliberalisation of development has positioned debt as the only way people living in poverty can access essentials such as health and education. It is the positive associations that are assigned to that condition by the narrative of financial inclusion that I believe enable that position to be popularly maintained.

The narrative of financial inclusion has negotiated its position in international development policy and refocused MFIs towards sustainable profitable operation. While the realities of microfinance have changed significantly, the old narrative of entrepreneurial self-help remains dominant. The presence and strength of the Yunus School entrepreneurial narrative seemingly hides the fact that microfinance operates in a development grey area. The industry capitalises on the positives of the old narrative while allowing microfinance to grow as a tool for fuelling consumption. The body of literature that accompanies the financial inclusion narrative, especially its long-term impacts, is under-researched and inadequate for an intervention that is as prolific as microfinance (Mader, 2016; 2017a). The industry promotes narratives to grow within the structures of the development industry without answering vital questions of impact.

The Financialisation of Poverty

This literature review has traced the narratives of microfinance throughout their history and has found it difficult to draw concrete conclusions as to what the impact of microfinance is now supposed to be. The narrative of entrepreneurial microfinance from the Yunus School is still present in the development discourse but this narrative now appears to be neither the aim nor the outcome of microfinance. The narrative of financial inclusion constructs microfinance to be of value to everyone but there is little evidence to show just what that value really is. Microfinance, at least at a policy level, has avoided a truly hard critique. Throughout its history, critics have played with the nuts and bolts to refine microfinance or have debated whether its outcome has been increased entrepreneurship or consumption smoothing but all within the paradigm of neoliberalism.

Starting slowly in the mid-2000s, but growing significantly since 2010, a more structural critique of microfinance has developed. The critique is based on the concept of the financialisation of poverty. The financialisation of poverty school views the expansion of microfinance as the expansion of the frontiers of capital accumulation to the poor by financialising poverty to fit into the global neoliberal system (Weber, 2004; Harvey, 2007; Aitken, 2010; Young, 2010; Bateman, 2010b; Bateman and Chang, 2012; Sinclair, 2012; Mader, 2013; Bateman, 2014; Mader, 2014; 2015; 2017a; Bateman and Maclean, 2017). It is the first truly conceptual critique of microfinance that challenges the entire intervention and the structure within which it operates.

As described in the introduction, financialisation is a process that requires structural change in an economy and is driven by neoliberalism. Through the expansion of the role of the financial sector, neoliberalism enacts its agenda by encouraging capital accumulation and building markets in which the population are forced to participate. With its roots in the British school of IPE, the financialisation of poverty school's work describes the same condition where the poor are positioned according to the opportunities they represent to the flow of global capital (Young, 2010). Neoliberalism within the development agenda has normalised microfinance within wider development discourse, framing finance as a social good. It is no longer a contestable idea but a tool of necessity in the modern life of the poor (Goede, 2005). As observed by Kotz (2008), neoliberalism changes the structure of an economy, supporting a minimal state agenda and building financial markets. Within that structure the normalisation of debt finance takes place and finance becomes the only tool to manage life in a market economy. Financialisation transfers the provision of services, health, education, and others from the state to the individual, redrawing the relationship between the two (Bateman, 2010b; Blowfield and Dolan, 2014; Mader, 2015).

One of the seminal works that falls under my definition of the financialisation of poverty school was written by Milford Bateman, an economist with a background in development in Eastern Europe. Bateman's book, Why Doesn't Microfinance Work? The Destructive Rise of Local Neoliberalism (2010b) moves outside the paradigm of neoliberalism and away from impact-based critiques. Bateman contends that the neoliberal model of development, and microfinance as part of it, is flawed. Building on his experience in Bosnia, he constructs a new narrative of financialisation as a malign effort to extract wealth from the poor and transfer it to the global elite through finance. Bateman observes market creation through consumption-based microfinance and restructuring bottom of the pyramid economies around consumerism for the very poorest, paid for by money lent by the very richest.

The research within the financialisation of poverty school observes the intervention of microfinance in a conceptually different way, responding not to the narratives of microfinance but to the realities that they bought to the borrowers. The neoliberal development agenda is shown as being responsible for ignoring the large limitations presented in the early works of Hossain, Salimullah, and Ghai, instead focusing on the presentation of the small and limited upsides that those works presented. Bateman demonstrates that changes in microfinance, from pro-poor subsidies to profit making sustainability, was not about expanding access to the poor who would use it for enterprise but a way of removing oversight and any notion of subsidy in order to maximise profit from lending to the poor. Bateman's work introduced the thought that narratives and intended outcomes are divergent.

One of the most influential works from the perspective of my research was by Philip Mader, The Political Economy of Microfinance (2015). This work and his later work on financial inclusion (2016; 2017a), deconstruct the narratives of microfinance and proposes that financial inclusion and microfinance have always been ends in themselves. Mader explains microfinance not as an attempt to end poverty but an attempt to financialise it through narratives of empowerment. In short, microfinance made poverty a site of value extraction.

Mader draws on the work of Karl Polanyi and makes direct comparison between parts of the Poor Law Reform of 1834 in the UK and the political motivations of the modern microfinance movement. The promotion of self-employment through microenterprise is described as the programmed disempowerment of those that fail to make it in the new capitalist wage economy. The poor are supported in setting up informal survival-type activities that keep them "wrapped up in the act of merely surviving" (Bateman, 2010b:30). Mader observes the systemic flaws in the microfinance system culminating in the Indian crisis, noting that despite these, the industry continues to persistently grow (Mader, 2015). It was Mader's work that influenced my research that seeks to understand how, in spite of the evidence, microfinance continued as a pro-poor development policy.

The financialisation of poverty literature explores other angles of microfinance missed by the traditional impact-based critiques. Understanding the role of microfinance on the collective actions of the poor is central to this critical approach. The narrative of entrepreneurship is based on individualistic self-help, individuals are cast as entrepreneurs acting alone, not employees of others collectively participating in the labour market. Borrowers of microfinance bear a resemblance to the *lumpenproletariat* observed by Karl Marx, a group of people so subjugated and passive that they could not be relied upon to play a role in the revolution (Bourdin, 2013). Bateman (2010a) draws on this idea, describing microfinance as containment of the poor. Engaging the poor in their own immediate survival and distracting them from participating in forces that are counter to the neoliberal project. The containment of the poor is seen as both an act of disempowerment and dispossession, removing their capacity to act against wider neo-liberal changes taking place in the economy.

The physical act of dispossession visible in the control and containment of the poor is seen by others as something deeper than a weakening of collective belonging and action. Julia Elyachar (2005) argues that neo-liberal development programmes in Cairo have attempted to dispossess individuals of their culture and replace it with dreams of the rewards of globalisation. Elyachar observes how the narrative of entrepreneurship worked to position the poor alongside skilled craftsmen, using the positive associations of skilled labour to shape perspectives of what the poor could achieve as entrepreneurs. The basic proponents of the narrative are challenged by simple observations of the poor being no more entrepreneurial than anyone else. What the narrative constructed as ‘enterprise’ was just an act of necessity in the face of no other options (Bateman, 2010b).

The foundational works of Hossain and Salimullah (1984; 1988) and Ghai (1984) are revisited by the Financialisation of Poverty School (Bateman and Maclean, 2017) which takes a different approach to previous interpretations. It focuses on the limitations of the entrepreneurship observed by Hossain and Ghai in the early phases, where their work pointed out the lack of scope for market creation, skill shortages, demand issues, and limited overall ability to impact development. The microfinance industry and IFIs promoted the very minor positive attributes from those studies to highlight the potential of microfinance, the financialisation of poverty school now reads those early works more critically. The authors of those early works identified that the capacity of the poor as entrepreneurs and the limits set by their environment could only ever yield limited impact in terms of development. I argue that if development policy had not been based on neoliberalism at that time, the ideas and scope of microfinance may have been promoted very differently.

At its core, the financialisation of poverty school’s challenge to the microfinance industry is that debt for consumption can do nothing more than keep people poor (Bateman, 2010b; Mader, 2015; 2017a). That challenge is addressed in a series of exchanges between Milford Bateman, David Roodman, and James Morduch of the Financial Inclusion School. Roodman and Morduch contend that financial inclusion has value and a place in development policy and challenge directly Bateman’s 2010 book (Roodman, 2010). Roodman claims that Bateman talks of microfinance as a grand conspiracy theory coherently working to keep people poor, something that “of course that no one would ever do”. Roodman is firmly a neoliberal, his challenges are rooted in that paradigm and therefore his view of non-market alternatives to development are unsuitable and unsustainable. Bateman responds from a different paradigm, illustrating neoliberalism not as a conspiracy theory but as a market system that dispossesses the masses in favour of the few. In 2012, ACCION and USAID hosted a live debate between Roodman and Bateman (ACCION, 2012), symbolising two conflicting ideologies that exist in opposition to each other. One participant sat within the existing paradigm of neoliberal capitalism while the other looked critically from the outside to challenge neoliberalism in development. Whilst the debate had no one winner, the chair concluded that:

> The debate had an unhappy outcome for those who believe in the efficacy of microfinance. Roodman struggled to counter Bateman's insistence that microfinance is an abject failure and that development dollars could be better spent elsewhere. The most he offered is that randomized trials of microfinance have not found either a clear negative or positive effect, a half-hearted endorsement. So, when Bateman says that Roodman's support of microfinance depends on an act of faith not evidence, it is hard to argue the point (ACCION, 2012).

The debate continued through journal article exchanges in which Bateman states that the microfinance industry has been engaged in agnotology as a way of keeping the intervention dominant (Bateman, 2014). Agnotology is explained as the act "whereby the powerful are engaged in the intentional production and promotion of ignorance". Bateman uses Roodman's 2012 (Roodman, 2012) book 'Due Diligence, an impertinent enquiry into microfinance' as the explanation for his observation. Roodman's book, considered a seminal work of the financial inclusion narrative, is reflected on as an act of agnotology. The book, supported by the MasterCard Foundation and the World Bank's CGAP, starts by strongly critiquing entrepreneurial microfinance and confirms that the overall impact on poverty has been nil. Bateman states, this creates the impression of it being written from a truly critical perspective, willing to challenge microfinance. The theme of the book then turns strongly to financial inclusion, the importance of sustainable financial services for the poor to manage their lives, with little mention of impact. There is no evidence provided as to the reasons why financial inclusion is imperative. Within Roodman's argument, there is no question that financial capitalism is the only way in which the world can be structured and it is as true for the poor as it is for the rich. Roodman states that "no one is suggesting that the for-profit mortgage sector in the US should be ended", overlooking the difference in the status of clients and their reasons for borrowing. Roodman's book is a justification of the position of microfinance in the future of development, something that benefits the MasterCard Foundation, CGAP, and others.

The financialisation of poverty is the result of the neoliberal restructuring of poverty to suit the needs of financial capitalism. Microfinance is the tool through which that restructuring takes place, re-casting relationships between individuals and the state. The financialisation of poverty school has approached microfinance under those terms, viewing it as a tool of neoliberalism and not as a well-meaning development policy. It is the conceptually different challenge to microfinance that has influenced my research and the foundation of this thesis. After working for many years in the industry, viewing failure of impact as a problem of design, the perspectives of the financialisation of poverty school changed the way I researched microfinance and understood its intentions. Building on the work of the school, I sought to understand how, given the conceptual challenges that exist, microfinance remains placed in the development agenda.

Microfinance, A Greater Destruction

Through neoliberal financialisation, economies experience a range of changes which include a reduction in the size and importance of the productive sectors, deindustrialisation, the stagnation of wages, and a decrease in productivity. States, companies and individuals take on increased quantities of debt, boosting the financial sector but over indebting themselves and increasing their dependency on credit (Kotz, 2008: 2). The process Kotz observed at the macro-level is replicated at the micro-level, something also observed by Pupavac (2005), who set out to study the empowerment of women by microfinance in post-war Bosnia. Her findings were unexpected. She observed not only the disempowerment of previously empowered women but also the deindustrialisation of a previously semi-industrial nation.

Pupavac noted that under state stewardship, the former Yugoslavia made great progress in educating and upskilling their population, especially women. The post-WW2 economy was rapidly industrialising, standards of living were rising, and women and men contributed equally due to the highly skilled female population (Seibel and Damachi, 1982; Pupavac, 2005; Bateman, 2010b). Bosnia, having experienced industrial success as part of the post-WWII development programme, was forced to accept a different development methodology after the Balkan conflict. Implemented by the IFIs, the redevelopment of Bosnia was constructed around microenterprises, microfinance, and the creation of an informal sector. The development programme was built on a neoliberal ideology of limited state participation, not the post-WWII ideology of state-driven development. The IFIs used the ‘successes’ of microfinance elsewhere to justify its implementation. The methodology, the narrative of entrepreneurship, was presented as proven, sound, and cost effective (Bateman, 2010b). Entrepreneurial microfinance was positioned as a key part of the development package offered to the post-Balkan war Bosnian Government.

What was observed in the medium term was vastly different to the outcomes presented by the IFIs. Highly skilled Bosnians, both men and women, were given options to borrow money to start embryonic microenterprises. Their only option was a financialised future as state developed industrial work was no longer supported. Alongside microfinance, the process of trade liberalisation (also part of the neoliberal package) allowed for cheap imports of previously locally manufactured goods. This led to the further industrial decline of domestic industry and the prolific rise of microfinance borrowing (Pupavac, 2005; Bateman, 2010b). The entrepreneurial narrative had dictated that the Bosnians would start microenterprises and build the economy from the ground up. However, as industrial jobs continued to decline, microfinance borrowing was shown predominantly to be propping up basic consumption in an economy of high unemployment (Pupavac, 2005).

Bosnia has now taken a backwards step in terms of both sustainable development and women’s empowerment. Negative outcomes for women and employment have emerged since the introduction of microfinance. The case of Bosnia highlights the vulnerability of economies to financialisation and the greater danger of microfinance-led development (Bateman, 2010b; Bateman and Maclean, 2017). The case of Bosnia is not undisputed, however. The financial inclusion school views Bosnia as a success and champion of the sustainable microfinance industry (Bateman, 2010b). Forbes magazine champions Bosnian microfinance stating that five of the world’s 50 largest MFIs are based there, second only to Bangladesh with seven (Forbes, 2008). The dichotomy exemplifies the debate between financial inclusion and financialisation standpoints. The former sees microfinance as good, arguing that MFIs are needed by the borrowers and are both sustainable and profitable. Financialisation adherents see the reality of microfinance as funding basic consumption amongst the poorest and creating over indebtedness in a disempowered unemployed population.

The observation of Pupavac is not the only example of deindustrialisation through microfinance and neoliberal development practices. The Inter-American Development Bank, a bank with a historic neoliberal agenda, concluded in 2010 that in Latin America, persisting levels of poverty and a lack of development was partly produced by channelling funds to the microfinance sector over the previous three decades (IDB, 2010). The bank states that funds directed towards profitable microfinance banks created nothing but unproductive informal microenterprises and consumption spending at the expense of investing in productive employment generating industry (Bateman, 2014). Microfinance had “directly given rise to high levels of poverty, deprivation and rising inequalities” because it facilitated “the pulverisation of economic activity into millions of tiny enterprises with low productivity and over indebted households with no way out” (IDB, 2010: 6).

Conclusion

The literature in the introductory chapter explored the narratives of microfinance and looked at the intervention through the impact debate. It identified differences in perspectives around microfinance operations, outputs, and outcomes. This critical literature review has explored those narratives from a wider perspective, positioning them as part of a greater more complex political debate. The literature has traced the early Yunus School entrepreneurial narrative, which promoted development and poverty alleviation through constructed ideas of entrepreneurial activity, to the latest narrative, that of financial inclusion. Whilst the narrative of entrepreneurial self-help has now all but been removed by the industry, the positive associations born in the early stages remain pervasive. The microfinance industry, with the narrative of financial inclusion, has taken the positive associations of entrepreneurship and built a position for microfinance, irrespective of impact.

I argue through this thesis that microfinance is hegemonic as a development policy and the industry maintains that position through the promotion of narratives. The literature review has shown not only how microfinance and neoliberalism are compatible but that microfinance is a product of neoliberalism in development policy (Bateman and Maclean, 2017). Throughout the history of microfinance, the majority of research has failed to show positive developmental impact and merely uncovered high levels of consumption spending among borrowers. As shown by this chapter, regardless of these findings the global microfinance industry has been able to continue promoting narratives with positive associations, creating a hegemonic position for microfinance.

Narratives have provided the microfinance industry a tool to allow it to offer little more than pay day loans for the ultra-poor and to pass it off as a development imperative (Mader, 2017a; Mader, 2015). Neoliberal development policies created a fertile environment for microfinance. As the IFIs liberalised markets and opened them to international capital they shifted poverty assistance from the state to the individual. The privatisation of basic services such as health and education created a market in which the poor could participate, paid for by debt. Governments, IFIs, and development agencies, through the narratives of microfinance, were able to promise win-win development, poverty alleviation and profit, only if no one looked too closely. Microfinance could continue with its favoured status in development policy despite no longer actually even claiming to alleviate poverty.

To challenge the dominance of microfinance at a conceptual level, a new critical school fundamentally questioned the design and rationale of microfinance. The school critiques microfinance from outside the neoliberal paradigm, viewing debt to the poor as the financialisation of poverty. The school's critique of microfinance runs parallel with broader critiques of neoliberalism, where the very basis of Dr. Yunus' experiment in the 1970s is questioned. The school argues that by overlooking critical limitations identified in Hossain's (1988) earliest impact assessment, the industry was able to hide the financialisation of the lives of the world's poorest by the world's richest under the guise of enterprise and inclusion. It is the work and critiques of the financialisation school which led to the conception of my thesis.

Through my experience in the industry, I view the reality of microfinance to be divergent from the narratives. Through engaging with the financialisation of poverty school's work, I argue that the intention of the industry is to financialise poverty. Financialising poverty aims to restructure the economy of the poor around debt capital and to extract wealth from the world's poorest. These are not the outcomes presented in the narratives of microfinance. In observing the divergent reality, I sought to explore the perceptions of industry insiders, both lenders and borrowers, to understand what they saw as the realities and impacts of microfinance.

Throughout this literature review, I have demonstrated that the microfinance industry promotes narratives which, I shall argue in the next chapter, is how the industry maintains hegemony. Antonio Gramsci's theory of hegemony is conceptualised by Cox as a "form in which dominance is obscured by achieving an appearance of acquiescence" (1994: 366). It is the harmonious presentation of debt to the poor within the narratives of microfinance which aligned with my views on the industry and influenced my research. This chapter demonstrated how the IFIs, MFIs, NGOs, and other institutions have promoted narratives of entrepreneurship and empowerment while providing loans to the poor. Viewing narratives as a tool to maintain hegemony enabled my research to better explore how microfinance remains a hegemonic development policy whilst not demonstrating significant impact.

The following chapter will discuss Gramsci's theory of hegemony and demonstrate how as a tool I will use it to explain the position of microfinance within development policy. As a theoretical framework, hegemony provides a lens to observe the achievements of microfinance, not as the industry promotes it but as a tool for the financialisation of poverty.

Chapter 3 – A Gramscian Theoretical Framework

Introduction

Chapter two explored the political economy within which the narratives of microfinance are produced and replicated. The chapter traces the origins of both the entrepreneurial and the financial inclusion narratives back to the neoliberalisation of development policy. The literature demonstrated that previous research into microfinance both from entrepreneurial and financial inclusion perspectives is understood by the industry itself as inconclusive in terms of impact (Duvendack et al., 2011). I argue the inconclusive nature of the research into microfinance is constructed by supporters of microfinance as a positive to hide the failure of microfinance, perform against its narratives, and cover more malign outcomes. Echoing the tobacco industry in the 1980s, "doubt is our product" (Proctor and Schiebinger, 2008), the industry does not concede failure. Despite overwhelming evidence, it changes its narratives to enable the continuation of the promotion of neoliberal interventions for the poor.

Chapter two demonstrated that the narratives of microfinance are produced and promoted in a significant body of pro-microfinance research. Due to scale and financing, IFI-supported research output is produced in greater quantities and promoted more effectively than research that challenges the premise of the narratives. As this chapter will argue, the reproduction of the narratives of microfinance is designed to maintain its hegemony in development policy. The IFI funded research is designed to convince at a policy level that debt to the poor in the name of development is common sense. Introduced in chapter one, Gramsci's theory of hegemony illustrated how deeper ideological control could be exerted over populations without the need for coercion. With neoliberalism being dominant within the development agenda, hegemony of microfinance at a policy level means it is more likely to be perceived as having a positive effect on the poor regardless of the evidence. A growing critical approach to microfinance, what I term the financialisation of poverty school, challenges the neoliberal logic of development within microfinance. The school moves the critique away from impact, and views microfinance as a tool to financialise poverty.

It is the dominance of the narratives of microfinance highlighted in chapter two that defined the ideas of this thesis. I argue that narratives of microfinance are hegemonic and hegemony was the reason for the continuation of microfinance in development policy. Hegemony is "the articulation and justification of a particular set of interests as general interests" (Morton, 2007:113) to exercise power and control. Using Gramsci's conception of hegemony, I seek to explore the role the narratives of microfinance have in the maintaining of the hegemony of microfinance in Egypt. The microfinance industry constructs poor borrowers as entrepreneurs and then measures their lives by small statistical changes in strictly defined metrics. MFIs are defined as providers of a human right and represented as the supporters of a bottom up business revolution designed to address the issues of poverty and unemployment (Yunus, 1999: 11). The narratives of microfinance are pervasive yet the results are inconclusive. The ideology seemingly dominates the reality, something I argue is the outcome of hegemony.

I set about this research not because there was a gap in qualitative assessments of the impact of microfinance. Examples of those already exist (Elyachar, 2005; Copestake, Johnson and Wright, 2002; Copestake et al., 2005; Collins et al., 2009). It motivated by a gap in the literature of personal stories, perceptions, and experiences of people who interact with microfinance daily, those that are often talked about, but rarely talked to. I saw the gap as an opportunity to understand more about the role the narratives of microfinance play in the lives of those that borrow, told directly by those people. I wanted to understand if high interest loans to the poor meant more to them than the sum of their parts, were the loans perceived to be more than just debt, but a ticket out of poverty. It is from that understanding that I formulated my research question:

- What role do narratives play in maintaining the hegemony of microfinance in Egypt?

To answer this question, I will use the perceptions and experiences of those involved in microfinance to explore what they believe they are participating in. Hegemony is achieved when ideas have broad consent and acceptance from a population. I argue that this position is reflective of the microfinance industry. Through the promotion of narratives by institutions of state and civil society, the microfinance industry has maintained consensus that debt can address poverty. Gramsci's insights will be used as a way of understanding the success and dominance of microfinance despite the lack of developmental impact. At a policy level I believe that microfinance is hegemonic and that narratives play a key role in maintaining that hegemony. This research will determine at a more observable level, the individual participant, how narratives justify microfinance as a reasonable or 'common sense' intervention. The aim of this thesis is not to determine whether Gramsci's concepts are true, rather it is a step towards understanding the continuation of microfinance as a development policy.

This chapter elaborates the theoretical framework through which this research will be undertaken. The chapter reviews the key terms to be discussed as well as the work of Antonio Gramsci and his theory of hegemony. The narratives of microfinance are then discussed in the context of their formation and promotion, contextualising them as tools of hegemony. Finally, this chapter sets out the framework by which the data collected from the participants will be analysed and presented in order to answer the research question.

The Value of Narratives

The research question that I set out to answer with this work is focused on narratives, a term which is used in this context to describe the storytelling that can impact understandings and shape realities (Mishler, 1995: 117). Before moving to discuss how I consider the work of Antonio Gramsci helps in understanding the modern microfinance industry, it is necessary to define the term 'narrative'. The study of narratives is embedded in the achievement of a greater understanding of human thought (Chafe, 1990). Part of the field of psychology, scholars like Elliot Mishler (1995) have identified how narratives allow humans to make meaning from abstract things or acts. Within the context of collective behaviour, narratives assist in the shaping of identities and creating ideologies. They are the stories humans rely on to make sense and effectively create reality.

Narrative scholarship describes storytelling as a foundational and fundamental concept in human psychology (Polkinghorne, 1988), offering not rules and rational arguments but the reliving of actions through stories and beliefs. Narratives are sequences of statements connected by both a temporal and a moral order (Ricoeur, 1984) bridging the gap between daily social interaction and large-scale social structures (Ewick & Silbey, 1995: 198). Narratives both form and sustain culture, as people interpret their lives through the stories they hear and tell about themselves. Narratives are also more than a constituent of social life, they have the potential to shape and create beliefs, not only reflecting a populations' lived reality but also defining it for them (Gray, 2014: 5).

The study of political narratives stems from broader narrative theory and focuses on stories constructed by figures with 'power' through the course of action, in this case, political action (Gray, 2014: 6). Political narratives define the creation of "political realities", widely acknowledged understandings that are not considered "objective realities" (Shenhav, 2006: 247). Edward Bernays 1928 work, 'Propaganda', claims that:

> We are governed, our minds moulded, our tastes formed, our ideas suggested, largely by men we have never heard of (37).

Bernays' observation of the formation of "ideas" explains how, through narratives, the "public mind" is controlled by those that hold power. Bernays was writing on the positive power of propaganda for those that had power and wanted to shape opinions or sell ideas. He attached narratives to unpalatable ideas to influence public opinion and create positive opinions, something that was determined as necessary for a "smoothly functioning society" (1928: 37).

As a researcher, the creation of the political realities through narrative, described by Bernays, mirrored my understanding of the relative strength of the microfinance industry. The narratives of microfinance, constructed often by public figures such as Mohammed Yunus, promoted the efficacy of microfinance, creating a belief that it was an effective poverty alleviation tool when in reality a multitude of feasible outcomes of debt are possible. The microfinance industry engaged in systematic storytelling, supported by global institutions, to sell high interest debt to the poor and to create what I define as the narratives of microfinance. The narratives of microfinance as explained in the opening chapter of this thesis demonstrate how the industry created political realities for the poor that became dominant in development policy.

Common Sense, Narratives and Gramsci

Narratives are shown to have hegemonic potential. They are used to reproduce structures of meaning and power which are used as a means of social control (Gray, 2014: 5). Narratives are continually told to reinforce and perpetuate structures of meaning which become ever stronger and ever more integrated into cultures and belief systems affecting a population's sense making (Gray, 2014: 6). Drawing on Crehan's (2016) reading of Gramsci's concept of "Common Sense" or "*Senso Comune*", the link between narrative scholarship and Gramsci's conceptions enabled my work to connect narratives and hegemony in seeking to explain the microfinance industry. Gramsci's concept of *senso comun*e is different to the English understanding of common sense, which is positively associated with practicality and being reasonable. *Senso Comune* describes contrasting beliefs and ideas that are widely held within a certain community but the reasons why are unclear due to the lack of obvious evidence. Gramsci saw those beliefs and ideas as created visions of the world disseminated by institutions and hierarchies promoting particular views or behaviours (Gramsci, 1971: 34). Gramsci's examination of the working-class notion of *senso comune* was situated within his conceptions of hegemony.

Gramsci's described his observations of the inconsistencies in the behaviour of the working class. The mix between protests one day and subservience the following day and the expectation of assistance from the state combined with the resentment of its officials were described as a 'contradictory consciousness'. The contradictions within their actions were interpreted as a battle between two theoretical consciousnesses. Conscience is formed of two theoretical consciousnesses, one inherent in a person's daily reality and one superimposed and unconsciously absorbed (Patnaik, 1988: 4). It is the second of those consciousnesses which Gramsci understood to be a product of hegemony. Building on the Marxist tradition, Gramsci stated that the consciousness that was superimposed and unconsciously absorbed was how hegemony is manufactured, propagated, and reproduced in populations. Hegemony, created using narratives of the ruling classes, is absorbed through the contradictory consciousness (Gramsci, 1971: 324).

Gramsci further expands on the traditional Marxist conception of hegemony, acknowledging the existence of original thought in the dominated classes. Gramsci's studies of subaltern consciousness explain the contradictory nature of behaviours among those classes. Gramsci's observed contradiction, where one's consciousness was directly opposed to one's activity, explained why workers aligned with capital and not collectively as fellow workers. Whilst the workers did maintain their original thought, it was Gramsci's understanding that the absorption of the created reality that dominated *senso comune* in the subaltern classes (Gramsci 1971: 419). The narratives of the ruling classes, therefore, are critical in development of the subaltern's *senso comune.*

I argue that narratives and Gramsci's understanding of *senso comune* form part of the process of hegemony. The institutions associated with the dominant power structures produce visions of the world that are incorporated into consciousness (Gramsci 1971: 199). Gramsci, when describing the ruling classes and the institutions that promote and disseminate hegemony, is talking of political and civil society. Agencies of state, political parties, churches, educational institutions, and other agencies of civil society combine to form the superstructure, a term that will be discussed later in this chapter. Gramsci sees civil society as structures that are able to expound common sense through a structured and coherent system (1971: 330). The framework for this study has been built around this Gramscian theory of hegemony that I believe has allowed microfinance to maintain its position in development policy. The microfinance industry, as part of civil society has promoted narratives which appear to have become *senso comune*, apparently placing the worldview of the powerful into the consciousness of the powerless.

A Gramscian Approach

Understanding the concept of narratives through Gramsci's concept of *senso comune* illustrates their roles in the supporting and enabling of hegemony. To position hegemony as the theoretical framework of this thesis, it is necessary to understand the details of that theory as well as how it is positioned amongst other Gramscian concepts. Gramsci's theories, formulated in early 20th century Italy, many of them written whilst imprisoned by Mussolini's Fascist Party, are significant theories in the neo-Marxist field. Concentrated on the approach to uneven development and born of the industrial social conflicts taking place in newly industrialising Northern Italy, Antonio Gramsci added layers of understanding to the traditional conceptualisation of power relations. Hegemony, a term previously used by Lenin to describe the leadership of the working class in revolution, was developed by Gramsci, who focused more on how hegemony was formed and maintained.

Interpretations of hegemony from Gramsci as well as other neo-Marxists such as Robert Cox (Cox, 1983) and Adam Morton (Morton, 2007) give scope to the understanding of how hegemony is formed. Traditionally, in IR theory, hegemony was unidimensional. Power and dominance was believed to be founded on the military and economic means of a nation state. This traditional conception of power to dominate and control was viewed by Gramsci as incomplete. Gramsci and others, conceived of power as having more layers, layers of consensus and permission complemented by coercion created hegemonic power (Femia, 1979). Morton explains Hegemony as:

> The articulation and justification of a particular set of interests as **general interests** (emphasis added) (Morton, 2007:113).

Hegemonic ideas are presented as ideas that have broad consent and acceptance because they are shown to be supported by the institutions of state (Morton, 2007). Gramsci's conception of state institutions explained his ideas of how consensus in hegemony worked. The state not only included the apparatus of government but also the apparatus of civil society. Civil society is seen as tool through which the elite construct consensus through propagation of narratives promoting certain world views (Morton, 2007). Cox's earlier work states that within a world order hegemony exists:

> Based on a coherent fit between a configuration of material power, the prevalent collective image of world order (including norms) and a set of institutions which administer the order with a certain semblance of universality (Cox, 1981: 139).

Hegemony is not only dominance by power but an exercise in opinion moulding. Cox later elaborates on the process of shifting from dominance by power to dominance by collective image through acquiescence:

> …as if it were the natural order of things….[it] is an internalised coherence which has most probably arisen from an externally imposed order but has been transformed into an intersubjectively constituted reality (Cox, 1994: 366).

Hegemony is dominance through the creation of a consensual order. The political apparatus of the public sphere directs narratives, the private sphere promotes them, they are consumed and digested, and this enables hegemony. The conception of political and civil societies is subject to much debate but for the purpose of understanding it in the context of my work, the definition is taken directly from Gramsci:

> The state should be understood, then, not just as the apparatus of government operating within the 'public' sphere (government, political parties, military) but also as part of the 'private' sphere of civil society (church, media, education) through which hegemony functions (Gramsci and Buttigieg, 1992: 12).

The state, in both public and private spheres, organises and legitimises narratives for the expansion of a world view and creation of hegemony (Gramsci and Buttigieg, 1992). The narratives which the public sphere produces are consumed and contested in the private sphere of civil society. Civil society is the space where the narratives are shaped into beliefs and where hegemonic ideas become the lived realities. It is through the two spheres, state and civil society, that the hegemonic political narrative is promoted. Creating consent within the population allows those in power to dominate without the use of force. It is the focus on the moral and intellectual functions by the state that create hegemony through social relations (Cox, 1981). Trusted institutions such as church and academia are the key tools in shaping opinions.

Hegemony is a world view so strongly rooted in a society's lived reality that it dominates all other ways of viewing the world. It is an opinion moulding activity for ideological domination

(Morton, 2007). Hegemony is both artificially constructed through imposed narratives and organically derived from peoples real lived experience, creating a self-reinforcing circle. Hegemony is continuously constructed, negotiated, and contested in a process of development. It is the contestation and counternarratives that Gramsci expressed as the inconsistencies in the consciousness of the working class - the inherent lived reality clashing with the narratives superimposed and unconsciously absorbed. Hegemony, in the battle ground of civil society, is seemingly flexible, yet in reality, it works to consume challenges and incorporate them into the hegemon (Gramsci and Buttigieg, 1992). Hegemony is a constant process of construction, artificial but reinforced by the natural, which privileges certain worldviews and builds dialectical relations between social forces to universalise and naturalise those views. The process of domination creates cultural values and a belief system around which societies grow. The values and beliefs work to legitimise the institutions that propagate those ideas, which through societal interaction endorse particular cultures, values, beliefs and language. The process continues until the views of the hegemon are incorporated into reality and there is an acceptance of ideas (Morton, 2007: 113).

When researching Gramsci for the theoretical framework of this thesis, I wanted to both use his work on hegemony as the lens to view microfinance but wanted to ensure I looked more widely at Gramsci's contribution to neo-Marxism. Gramsci's work is rooted in a certain period yet it still provides great explanatory insight. Gramsci's ideas have been well applied to the proliferation of the neo-liberal development model and the observation of uneven development between states. In 'Unravelling Gramsci' (2007), Morton applies Gramsci's theory of hegemony to illustrate the acceptance of the population of the transition between import substitution industrialisation and neo-liberal capitalist accumulation in contemporary developing states. The transition from one economic model to another is authored and promoted by dominant social forces within the form of state, and through the tools of civil society integrated into social life to gain the acceptance of the population.

Gramsci's theory of hegemony is based on the Marxist theory of society consisting of two parts, the base and the superstructure. Building on Marx's conceptions, Gramsci determined that the superstructure was made up of two constituent parts, political society (government, political parties, military) and civil society (church, media, education), with civil society being the consensus-creating element driving cultural hegemony (Simpson and Wilkinson, 2002: 33). Whilst I concentrate on narratives and hegemony for the analysis of the microfinance industry, placing those within a wider framework assists in the understanding of the broader theoretical landscape within which this research took place. Marx's work theorises that the base, the relationships of production, is where people enter to produce the necessities of life.

> The totality of these relations of production constitutes the economic structure of society, the real foundation. (Marx, 1859: 1)

The activities of the base create and reinforce the superstructure which reflects the dominant ideology of the ruling classes. Marx's original conception of the superstructure was one dimensional in terms of its composition and political power and culture were categorised as one. The relationship between base and superstructure in Marx's conception was not unidirectional. The base shaped the superstructure and superstructure maintained the base. The reciprocal nature of the relationship between base and superstructure allowed for the superstructure to influence perceptions which over time are reflected in the political and economic realities, which again reinforce the superstructure.

Gramsci's reconceptualisation of the superstructure, the split into two levels, demonstrated how he believed the ruling class exercised the function of hegemony. Through civil society, institutions not directly associated with the political state - schools and universities, religious institutions, media, and NGOs - integrate the narratives of the dominant classes into the *senso comune* of the subordinate classes. It is the separation of political and civil society which allowed for a deeper understanding of how hegemony was maintained without the more traditional notions of coercion associated with the infrastructure of state (Simpson and Wilkinson, 2002:34).

The sum of the base and the superstructure is described by Gramsci's notion of a 'historical bloc'. The historic bloc was where the base and the superstructure became a concrete reality, an amalgamation of ideology and praxis at an individual and a societal level. Gramsci's conception of the historical bloc looks at humanity and specifically human nature as a:

> …historical bloc of purely individual and subjective elements and of mass and objective or material elements (Gramsci and Buttigieg, 1992: 360).

The historical bloc therefore is a concept that Gramsci defines as a political, economic and social condition where hegemony has been attained. The process of forming hegemony is the battle for the foundation of a new historical bloc. The very existence of a historical bloc is impossible without hegemony and a dominant social class (Sotiris, 2018: 95). The concept of the historical bloc outlines the context within which the opinion moulding takes place. Where one's lived reality is reflective of the narratives that one consumes, the formation of *senso comune* is inevitable (Sotiris, 2018: 114).

The historical situating of Gramsci's theories is frequently part of academic debate. Gramsci' observations were of a certain time and it is critical to acknowledge those roots. I chose to take a more immanent sociological reading of Gramsci and engage with the interpretations and their multifaceted nature, not an essentialist view of his work. This work carefully takes the concept of hegemony outside of its original conception and works to relate it to the contemporary microfinance industry. Applying theory in a new context has been debated but as Stuart Hall wrote:

> We shouldn't use Gramsci like an Old Testament prophet who, at the correct moment, will offer us the consoling and appropriate quotation. We can't pluck up this 'Sardinian' from his specific and unique political formation, beam him down at the end of the 20th century, and ask him to solve our problems for us: especially since the whole thrust of his thinking was to refuse this easy transfer of generalisations from one conjuncture, nation or epoch to another (1987:16).

Transferring Gramsci's concepts and taking them away from a binary dialectic based on class can be considered a misuse of Gramsci's work (Filippini and Barr, 2017). Historicists demand that his concepts are analysed relative to the circumstances and context from which they were derived before they are applied to any contemporary issues (Morton, 2003). This thesis further acknowledges those challenges and accepts the limitations of applying a historically rooted concept to a modern condition. Gramsci's own method of approaching the history of ideas addresses the challenge of his ideas being as useful today as they were then by discussing ideas within and beyond their context. Morton argues that:

> Any reading of Gramsci based on a self-reflexive purpose, rather than a representative interpretation, cannot objectively reveal a 'true' or 'real' Gramsci; thus no 'correct' reading can be produced (2003: 119).

This meant that Gramsci did not relegate ideas and the social conditions that created them as having no relevance to the present. Whist this study is taking a particular conception of Gramsci's idea and sidestepping a deeply historicised approach, it is working to expose a dominant narrative that through popular consent, has subjugated the poor, and integrated them into a global capitalist system.

Hegemony and the Narratives of Microfinance

Using the wider work of Gramsci, I seek to understand how the concept of hegemony, discussed above, relates to the contemporary microfinance industry. I argued in the opening chapter that the narratives of microfinance are constructions of the superstructure within Gramsci's conceptualisation of the historical bloc. The narratives of microfinance are promoted not only by the state, but by institutions of development, the media, education and even the church (Bateman, 2010b), the components of Gramsci's civil society. The narratives are well integrated into development discourse and appear as the dominant thought in regard to poverty alleviation, illustrating the reinforcing relationship between the superstructure and the base.

I argue that microfinance is hegemonic and that the narratives of microfinance have supported the industry in maintaining its hegemony. My research is designed to determine the extent that the narratives affect hegemony by exploring their reach amongst those that engage with microfinance. The narratives form part of the hegemonic neo-liberal agenda and have been integrated into the public and private spheres to become widely accepted among development professionals. To observe the impact of the narratives and the extent to which microfinance is hegemonic, I question participants in the microfinance industry across all levels. I define the levels of participation in the microfinance industry between what Gramsci's theory would conceive of as civil society and those the theory would determine as subaltern. Observing the interplay between civil society and subaltern participants will allow this research to explore whether the seemingly hegemonic microfinance narratives have actually affected a process of opinion moulding and if so, to what extent.

As described in the introductory chapter, the two levels of microfinance participation are split over four tiers that are represented by the participant groups. Their understanding and perceptions of their interactions with microfinance are explored through primary research to answer the research question. The first two levels are made up of IFI and MFI representatives. These groups are both part of the Gramscian conception of civil society. Placing them within the framework of civil society positions them as responsible for the promotion and dissemination of the narratives of microfinance. Robert Cox defines these institutions as "mechanisms of hegemony" through which macro-hegemonic narratives are translated to the population, expressed as universal norms (1983: 170).

To assert that notion, I use Cox's definition of key functions of the mechanisms of Hegemony. Cox states that mechanisms of hegemony fulfil the following criteria: "(1) they embody the rules which facilitate the expansion of hegemonic world orders; (2) they are themselves the product of the hegemonic world order; (3) they ideologically legitimate the norms of the world order; (4) they co-opt the elites from peripheral countries and (5) they absorb counter-hegemonic ideas" (1983: 170). Through the creation and maintenance of the narratives of microfinance and through Cox's criteria it is possible to identify the IFIs and MFIs as mechanisms of hegemony.

Responsible for the implementation of the policies of the Washington consensus, the SAPs, and many other neoliberal policies, the IFIs and MFIs are identifiable in the first two of Cox's functions. Globally and locally, the IFIs and MFIs have pursued policies which are considered products of neoliberal hegemony, specifically a free market ideology and government retrenchments (Wade, 2002). Collectively the IFIs and MFIs have promoted narratives that have sought to ideologically legitimise the norms of the neoliberal world order. IFI and MFI research has shown that the poor are restrained entrepreneurs just in need of capital to succeed (Yunus, 1999: 11) and have worked to create a consensus on debt for the poor being pro-poor (Bateman, 2010b; Mader, 2015).

Cox's fourth definition states that the elites of peripheral countries are co-opted. In the case of Egypt, this is most recently observed through the IMF CPF with the Egyptian Government (IMF, 2016a). The CPF has seen the Government of Egypt cut public services, reduce the size of public sector, cut subsidies and tariffs, and open up the economy to global capital all with the aim of improving the lives of the poor (Momani, 2018). Cox's final criteria, being able to absorb counter hegemonic ideas, is demonstrated by the microfinance industries transition from the entrepreneurial to the financial inclusion narrative. The IFI and MFIs acknowledged counter hegemonic idea that microfinance does not work and promoted a change in the industry, not rejecting microfinance but stating a new aim for it. The new narrative absorbed the challenge to microfinance and allowed its continuation.

The second level of study is focused on those determined as the subaltern. I look at those that civil society seek to control with the support of narratives, the field staff of MFIs and their clients. Whether or not the narratives of microfinance are hegemonic is perhaps better observed through the perceptions of these two groups since they are the subaltern over which hegemony is sought. It is ultimately the perceptions of these groups that shall be observed to determine whether civil society has really shaped opinion and sold neoliberalism to the bottom of the pyramid. The aim of this research was to understand whether the microfinance industry had created hegemony through narratives through observing whether those participating, especially in the second level, believe the narratives and held a local neoliberal ideology.

Gramsci's theory of hegemony explains how the hegemon creates a seemingly harmonious nature of the relationship between the dominant power groups and the subaltern (Gramsci, 1995: 344). In microfinance literature, I observe the same seemingly harmonious relationship presented across the microfinance industry, from donors to MFI to borrowers, all working for each other. I seek to determine whether that harmony itself is just a narrative or whether the narrative has actually created hegemony and the subaltern consent to neoliberal ideals. Through my primary research, I aim to observe the dissemination and receipt of the narratives of microfinance to try and determine whether those narratives support the maintenance of hegemony. I wanted to understand the success of microfinance not as a development tool but as a shaper of *senso comune*. I sought to understand whether the narratives weaken the social power of people to legitimately question and challenge what they are being offered. To facilitate those observations, the two narratives of microfinance that I highlighted in the introduction are positioned not by the development industry but as I see them, as tools of hegemony.

<u>The Entrepreneur</u>

Arguably the most important narrative of microfinance, the construction of the 'entrepreneur', the underpinning of the original Yunus school (Yunus, 1989; Yunus, 1999; Dharam, 1984; Hossain and Salimullah, 1984; Hossain, 1988). The narrative casts the poor as entrepreneurs and was critical for the early acceptance and proliferation of microfinance. Casting the poor as entrepreneurs worked to change the vocabulary that can be associated with them. The word debt is removed to become an 'opportunity' and consumption became an 'investment'. The removal of the word 'debt' from microfinance literature worked to remove the perception of risk associated with borrowing from the narrative. Putting the poor into debt is unpalatable, giving an entrepreneur an opportunity is commendable (Bateman, 2010b).

Once the microfinance industry changed the language, narratives were built that changed the perceptions that surrounded poverty and debt. The narrative of the entrepreneur presented the offering of debt to the unskilled poor so they can try and employ themselves in whatever meagre task they can perform or even just feed themselves. This was constructed as "a chance for those held back to unleash their creative energy in the market for their own benefit" (Yunus, 2006). The tools of civil society promoted the narratives, universities, the Church and the media. Jeffrey Sachs of Colombia University said:

> The key to ending extreme poverty is to enable the poorest of the poor to get their foot on the ladder of development . . . the poorest of the poor are stuck beneath it.

> They lack the minimum amount of capital necessary to get a foothold, and therefore need a boost up to the first rung (2005: 244)

The media promoted microfinance, a New York Times article called "The Women's Crusade," (Kristof, 2009), showed a destitute woman who borrowed $65 from a microfinance bank who started a successful business, educated her daughters, built a house, and became an employer of others - a true success story of the effects of microfinance. The Church was no different. As early as the 1980s, religious groups were active participants in microfinance lending and supporters of the entrepreneurial narrative (Boucher, 2012). Microfinance was claimed as:

> Valued by most Christian development organizations as an effective marketplace ministry that proclaims the power of the gospel, builds the local church, and empowers laity to demonstrate the love of Christ to the poor (Bussau, 2000: 68)

Outside the traditional Gramscian conception of Civil Society, but fulfilling many of the same criteria, celebrities also participated in the promotion of the entrepreneurial narrative. Celebrities mainstreamed the idea that the uneducated illiterate poor, especially poor women, were actually budding entrepreneurs in need of capital. Famously, through the New York Times, Bono of the band U2 stated:

> Give a man a fish, [and] he'll eat for a day. Give a woman microcredit, [and] she, her husband, her children, and her extended family will eat for a lifetime (NYT, 2005).

The narrative of the entrepreneur, and its introduction and promotion through the tools of civil society, reflects the process of the formation of hegemony. Gramsci's concept, refined by Morton as "the articulation and justification of a particular set of interests as general interests" (2007: 113) is seen in civil societies support of that narrative. The narrative is compelling enough for charities, NGOs, politicians on the left, and well-meaning philanthropists to put the poorest of the poor in debt for profit because they believe they are entrepreneurs.

Financial Inclusion

In the mid-2000s, the narrative of the entrepreneur was starting to lose its dominance. Innovations in impact assessment meant that for the first time the efficacy promoted by the narrative was challenged. As per Cox's (1983: 170) definition of mechanisms of hegemony, the microfinance industry acted to absorb the counter-hegemonic idea that microfinance did not help the poor. The narrative of financial inclusion was created, normalising high interest consumption lending to the poor as a development imperative. The financial inclusion narrative made microfinance about providing financial services to the poor at a profit for them to consume.

I am not challenging the notion of consumer lending to the poor for financial gain but challenging the notion that consumer lending can be logically considered a development policy. The narrative accepted that the old microfinance ideas of entrepreneurship were flawed, absorbed the challenge, and restated its aim as a tool to support the poor to pay for the basic public services that the state has taken away from them. The narrative of financial inclusion, like that of entrepreneurship and financial systems, alters the language surrounding microfinance. The mechanisms of hegemony insert words like Consumption Smoothing into the discourse, presented as the positive reason why financial inclusion is a development policy (Zeller and Sharma, 2000).

The narrative of microfinance was once about giving the ability to the poor to become entrepreneurs and alleviate their poverty. Through a process of challenge and absorption, the narrative of microfinance became about being an alleviator of the symptoms of poverty (Dunford, 2013). The narrative promotes the fact that borrowers can send the children to school or seek urgent medical treatment, using emotive justification for the continuation of microfinance programmes as development. The narrative detracts from the alternative viewpoint, taking the focus away from why the poor should have to pay for basic education or medical treatment in the first place.

The two core narratives of microfinance detailed in this section are what I believe demonstrate the promotion of hegemony. The narratives, promoted through a range of mechanisms of civil society, have shaped the opinions of practitioners and policy makers as well as encourage those with a casual interest. Across the narratives, microfinance enjoys broad political and public support from the university to the church, charities to philanthropists. There is a *senso comune* understanding of the efficacy of microfinance. These narratives have enabled microfinance to become a development imperative deeply integrated into the SDGs (Mader, 2017a) despite evidence that demonstrates microfinance fails to meet its stated aims. I view Gramsci's description of the process and maintenance of hegemony as being present in the development and continuation of the microfinance industry and this research seeks to determine the extent that narratives can explain that hegemony.

Microfinance and Counter Hegemonic Narratives

In the formation of hegemony, the consumption of counter hegemonic narratives is part of the process itself. When researching microfinance for this thesis, I observed the way the narratives of microfinance were able to overcome crises and continue unscathed. Microfinance has faced a significant number of crises and on each occasion, as this section demonstrates, the industry has moved past it incorporating the counter narrative and strengthening its position.

In Bolivia in 2001, the SAP created rapid inflation which led to increased prices across the economy, with the basic utilities market faced the highest price rises. As part of the SAP, the IFIs encouraged the growth of MFIs, due to the rapidly increasing demand for loans. The demand for loans was not however for entrepreneurship, which at the time was the narrative in use. The demand came from people needing to pay basic utility bills from one month to the next (Gill, 2000; Rhyne, 2001; Oliviera, 2004). The pay-day style lending for utility bills led to client over-indebtedness which eventually led to street protests. The government stepped in and requested repayment moratoriums for borrowers to calm the protests. The street riots, followed by the governments call for moratoriums, ultimately led to the collapse of the microfinance industry in Bolivia with multiple MFIs going out of business. The government stepped in to manage the crisis, the central bank agreed concessions for borrowers, the loans were written off. A year after the crisis took hold, the microfinance sector was significantly reduced and faced negative perception (Rhyne, 2001; Marconi and Mosley, 2005; Mader, 2015). After the crisis, the industry has slowly rebuilt itself, disassociating itself from its past and reaching pre-crisis levels of borrowing. The negative perceptions were forgotten and the narrative of financial inclusion became embedded (Mader, 2015). The IFIs and MFIs managed this crisis by criticising their own approach, finding fault with the methodology and not with microfinance itself, and improving regulation overseen by the IFIs allowed MFIs to restart their business of lending to the poor (ACCION, 2010). The microfinance industry reacted to the crisis, consumed the counter narrative, and continued. As defined by Cox, this is the mechanism of hegemony at work.

There have been multiple other significant crises of microfinance over the years. There have been repayment crises in Pakistan, Nicaragua, Bosnia, Morocco, India, and others (ACCION, 2010). Interest rates of 100% or higher to the world's poorest were uncovered in critical research projects (Bateman, 2010b). Multiple instances of mass suicides amongst overindebted borrowers were attributed to microfinance (Shenton, 2011; Bastiaensen et al., 2013; Mader, 2015). The microfinance industry navigated the crises by always finding a reason other than the debt itself as the cause of the problem. Regulation, organisational design, a wider global crisis, or bad practice have been cited as causes. The industry actively responds by making 'changes' so the crisis would not happen again. The narrative consumes the challenge and avoids the focus on the issue of debt itself being a problem (Rhyne, 2001; Marconi and Mosley, 2006; Shylendra, 2006; Sriram, 2014).

A Gramscian Framework for this Study

I have chosen specifically Gramsci's theory of hegemony as the framework for this thesis because it provides deeper insights into what I observed in working within and researching the microfinance industry. The framework will be used to analyse the perceptions of participants in the microfinance industry to determine the role narratives play in maintaining the hegemony of microfinance in Egypt. As discussed earlier in this chapter, Gramsci's theory of hegemony is situated within his wider conceptions of the world and power. Hegemony for Gramsci determined how the dominant power structures remain in place without the use of considerable force. It is the result of the ideological struggle to form a historical bloc. The historical bloc represents the social reality of the base as well as the dominant power of the superstructure, forming a lived reality in the vision of that historic bloc. Whilst hegemony secured through the narratives of microfinance is the interest of my work, situating the narratives and interventions of microfinance is critical in understanding microfinance as an industry.

As the introductory chapter explained, microfinance is a development intervention born of neoliberalism. Neoliberalism under Gramsci's theory is a new historical bloc, displacing liberal capitalism with a new form logic and *senso comune* in the fields of economics and governance (Torres, 2013: 83). Traditional conceptions of a historical bloc, like those of Cox (1983: 170), are based on the maintenance of power by a superstructure and is inherently a 'national' theory. Defining *senso comune* as culturally shared understandings and observing that 'what is common sense for one group is not common sense for another', the nationally rooted nature of a historic bloc is clear. However, Morton (2007: 121) builds on that conception and states that the expansion of a national social order can move towards a global order once it has consolidated the historical bloc at the national level. As globalisation crosses borders, it creates a comparable framework across cultures, allowing for the implementation of similar notions of *senso comune* globally. The national therefore, is a departure point for the international and what becomes a hegemonic world order and a global historical bloc.

The international nature of the neoliberal historic bloc explains why neoliberalism is often supported by governments in the developing world where the majority of their population live on less than US$2 per day and rely heavily on social security infrastructure (Norman, 2014: 3). The historic bloc has changed both the underlying economic base and the *senso comune* of the population. This explains the background against which microfinance has been so prolific and it is from that understanding that I build the parameters of my research. Narratives play a part in hegemony and the foundation of a historical bloc. However, they are part of a greater system that impacts the economic realities of people. Neoliberalism, along with promoting narratives, has built logic and economic structures which act to bind people within a limited range of choices, regardless or not whether they engage with the narratives. The formation of the historic bloc means they have little choice but to engage with the economic realities.

In Egypt, the case study I selected for my research, economic reforms have been underway since shortly after independence. Chapter 4 explores fully the political and economic changes that have been undertaken in the move from a newly socialist state in 1950s to a landscape which is both neoliberal as well as heavily state controlled. I observed the narratives of microfinance while I was working in Egypt in the late 2000s. It was those narratives presented against the realities of my observations that prompted my research question. I wanted to understand the role of narratives in what I argue is the hegemony of microfinance in Egypt, as well as to determine the extent to which those narratives had shaped the *senso comune* of those that engage with microfinance. Placing Gramsci's theory of hegemony in the wider context of Gramsci's work allowed me to understand in greater detail how the conception of the historical bloc works with the economic base changing to reflect the control of the superstructure.

This contextualised understanding demonstrates that narratives are not the only tool of control confronted by those who engage with microfinance. The circumstances created by the economic base present other reasons why they might engage with microfinance. The way the industry has changed and promoted narratives in Egypt gave me the opportunity to observe how those narratives affect the perceptions of those that engage with microfinance. I was interested in observing whether those that engage with microfinance perceive themselves as entrepreneurs building their way out of poverty or whether they are trapped in an economic system which limits them to debt as a solution to live.

Conclusion

From afar, the various imaginaries around microfinance appear harmonious. The literature makes the assumption that those that participate do so because they understand the value of the opportunity that they have been given (Yunus, 1999: 11). Those participants, mostly women, are constructed as wanting to be part of the new frontier of capitalism and ready to lift themselves up by the bootstraps (Smith and Thurman, 2007: 10). That narrative is compelling and resonates with many across the world. This idea of the poor as entrepreneurs has been an accepted part of development discourse for over 30 years.

Hegemony, in the view of Antonio Gramsci, is the ideological dominance of others by power and through the exercise of opinion moulding. Narratives are tools in the formation and maintenance of hegemony (Bates, 1975: 351). They are promoted by civil society and assimilated into the daily lives of people, becoming a *senso comune* that is reinforced through daily lived reality. The objective of my research is to better understand why microfinance, despite its documented failings, remained a core development policy. In observing the growth of the microfinance industry and the promotion of its narratives, I drew similarities with elements of Gramsci's description of the foundation of a historical bloc, especially the idea of dominance through consent. The narrative constructed participants in the industry as entrepreneurs yet my experience of the reality was different. I wanted to understand whether the narratives of microfinance had shaped the *senso comune* of borrowers in the same way I argue it has of policy makers.

Using the framework outlined in this chapter, I conducted interviews with multiple levels of participants within the microfinance industry. I sought to understand whether the narratives had shaped the *senso comune* of policy makers to the extent they would argue that debt is a solution to poverty. At a deeper level, I sought to observe whether the narratives of microfinance extended down to the slums of Cairo and made people believe they can start their own business to remove themselves from poverty. Through observing both the mechanisms and recipients of hegemony, I wanted to better understand whether microfinance and its narratives were hegemonic or whether engagement with microfinance was driven by the neoliberal restructuring of the economic base. The following chapter will explain the context within which the fieldwork took place, as well as describe the methodology through which this framework will be applied.

Chapter 4 - Egypt, Context and Methodology

Introduction

The 30 plus years of microfinance impact studies discussed in chapters one and two have overwhelmingly taken place in Asia (Hossain and Salimullah, 1984; Dharam, 1984; Hossain, 1988; Pitt and Khandker, 1998; Yunus, 1999; Khandker, 2012; Roodman and Morduch, 2014; Banerjee et al., 2015). Whilst research has taken place across most countries with a microfinance presence, studies outside of Asia are rarely comprehensive. The focus of studies on Asia created the idea that the Asian model was successful and therefore could be replicated across the world with limited regard for local context (Syed, 2009: 51). Predominantly, although not exclusively, these roll outs have followed instances where SAPs have been implemented. Microfinance is integrated by the IFIs into post SAP economies with the task of alleviating poverty and creating employment. Given this global approach to microfinance, the research for this thesis could have ultimately taken place in any post SAP economy. I chose Egypt as the location to conduct its primary research, predominantly due to my long professional history of working and living in Cairo.

Egypt

Egypt is a country of c. 90 million people situated at the crossroads of North Africa and the Middle East. Egypt is ranked as middle income by the World Bank (2018b) with medium levels of human development according to the UN (2018). However, 30% of its population still live on less than $2 per day and in 2015 the unemployment rate was at around 15%, growing steadily over the preceding 20 years. The informal economy is responsible for c. 40% of all employment (CAPMAS, 2015). The Government of Egypt is the largest formal sector employer through both the civil service and the Army (Sims, 2012). Whilst the government, in terms of the number of people it employs, has grown consistently over the past 20 years, its role in people's lives in terms of health, education, and other public services has been considerably reduced (Sulayman, 2011). Public service retrenchment began in 1990 with the implementation of the first IMF and World Bank SAP. The second SAP, newly named as a CPF, was agreed in 2016 (WBG, 2015) and has since been fully executed (REUTERS, 2019), has further diminished the role of the state in public life.

The 2016 CPF is a $12 billion, three-year financing package provided by the IMF. Its implementation is supported by Egyptian officials who acknowledge publicly that there is a requirement for the "quick implementation of economic reforms for Egypt to restore macroeconomic stability" (IMF, 2016a). There was an agenda of reforms attached to the CPF which included:

> liberalization of the exchange rate regime, fiscal consolidation to lower budget expenditures, tax increases, deep structural reforms, and lifting business regulations to spur economic growth (IMF, 2016a).

The proposals included a host of monetary and fiscal reforms which were designed to reduce public spending. Large reforms to the civil service were required, as was the reduction in the state's role in providing subsidised social services (El-Badrawi, 2017). Leading up to the first $2.75 billion tranche disbursement, the Egyptian Government removed the dollar currency peg, thus devaluing the national currency by half (Guardian, 2016). They also removed and reduced food and fuel subsidies (Saba, 2019) and announced measures to shrink the public sector (Abed, 2019). These reforms were made even in the face of potential political instability in post revolution Egypt. The outcome of these reforms was to further swell the size of the informal sector and increase unemployment levels, two identified causes of the revolution in 2011. Throughout the world, and Egypt is no exception, the same conditions have been the preconditions for the entry and expansion of microfinance programmes. During post-SAP implementation, using the narrative of entrepreneurship and self-employment, microfinance has been used to help contain the newly unemployed (Bateman and Chang, 2012). Since the early 1990s, various forms of microfinance have expanded in Egypt, from NGOs to the for-profit financial sector. They often replicate the intervention styles of the programmes so coveted in Asia and elsewhere.

I developed the ideas for this thesis over a number of years whilst I was living and working for a global bank in Cairo. From my experience there, I understood that Egypt would be a suitable example for the fieldwork of my thesis based on both the microfinance sector and the wider economic conditions. Egypt has experienced an economic path similar to that of many of the other countries where microfinance is pervasive. Post-colonial socialism challenged by global neoliberal ideals and imposed structural adjustment provide the ideal backdrop for microfinance. Reductions in public services along with the shrinking civil service and a lack of formal employment options for a large unemployed youth population. These are the conditions where microfinance thrives. The following section provides a brief explanation of how and why microfinance has embedded itself into the everyday lives of Egyptians.

An Economic History of Egypt

The adaption of neoliberal market-based reforms in Egypt came in the early 1990s and the events that led up to that change are comparable to lots of newly independent states post-WWII. In the 1950s, Egypt began its post-colonial independence with a socialist government. The presidency of Gamel Abdel Nasser had put the controls of the Egyptian economy firmly in the government's hands. He removed both foreign and domestic private capital from the majority of industries and began a series of social changes (Cooper, 1982; Tignor, 1998; Bush, 1999). As a result, the population of Egypt experienced unprecedented access to education, health care, housing, jobs, and social welfare for the first time (Ikram, 2006).

State backed socialism largely remained in place throughout the following 30 years under presidents Anwar Sadat and Hosni Mubarak. Whilst the latter created an environment more conducive to private investment capital, state provision was still very much dominant (Ayubi, 1991). Any privatisation that did occur under Sadat and Mubarak could be best described as crony capitalism. A small group of liberal bourgeoisie and regime supporters who had been side-lined by Nasser were reinstated as the corporate class. They mainly operated and managed state owned assets in return for a fee (Sadowski, 1991; Bush, 1999). Until the late 1980s, the Egyptian state was by far the largest actor within the Egyptian economy with only ten percent of total capital held privately (Ayubi, 1991).

Throughout the early 1980s, the Egyptian economy enjoyed growth of around eight percent per annum. Disappointingly for the Egyptian people, the GDP growth was essentially jobless growth based predominantly on increasing rents (Radwan, 1998). The state had a growing budget and acted as an employer of last resort, making up for the lack of formal employment growth elsewhere in the economy. As a result, the public sector swelled. For all those that could not find public sector work, the informal sector also expanded significantly to contain the unemployed (Oweiss, 1990; Rizk, 1991). The informal economy grew and people took to income generating activities such as petty trading and cash paid home-based work. Whilst from the outside the overall economic picture of Egypt seemed bright, Mubarak began to erode certain liberties and take a more authoritarian approach to rule. Any public outcry against the erosion of liberties was dampened by large state-based actions designed to stop the objections. The state created jobs within the civil service and expanded the large existing welfare programmes along with food and transport subsidies. The programmes of state employment and increased welfare were used as a form of regime legitimisation to suppress the dissatisfaction among the population (Waterbury, 1983).

Whilst these changes were going on inside Egypt, the 1980s saw an increase in oil production and a large oil glut. Oil prices crashed from $35 a barrel in 1980 to less than $10 in 1986 which caused problems for the Egyptian economy. This made the rapidly growing but underemployed civil service and a large welfare budget unsustainable for the government. Public debt increased rapidly. With oil and other revenues diminishing, Egypt was struggling to meet its large public sector commitments. This situation was true for much of the developing world at the time. This inability to service high levels of public debt led to the need for international assistance that came in the form of the SAPs. In 1991 the Economic and Structural Adjustment Programme between Egypt, the IMF, and the World Bank was signed (Abdel-Khalek, 2001), alleviating Egypt's financial issues but fundamentally changing the relationship between the state and the population (Blowfield and Dolan, 2014).

The Egyptian SAP was no different to any others at the time and guided by the Post Washington Consensus. It focused on reducing budget deficits, fiscal discipline, and the opening of markets (El-Khouri, 1997). The Egyptian Government cut public expenditure, ended food and fuel subsidies, and began to sell off the vast collection of publicly owned companies. This acted to significantly reduce the budget deficit and boost state income. Further changes were made in monetary policy which liberalised both the interest and exchange rates. This saw the Egyptian pound devalue considerably, increasing Egypt's international competitiveness (Abdel-Khalek, 2001). In the short term, the SAP was shown as a huge success. The budget deficit decreased from 15% to 1% over a 5-year period (El-Khouri, 1997) and due to a devalued currency, exports drove a growth in real GDP of around 5% per year (Abdel-Khalek, 2001). The success created a strong argument for further reforms because early reforms had 'proven' that state intervention was holding Egypt back.

The long-term impacts of the SAP were somewhat less impressive. Whilst the removal of tariffs and subsidies had benefits on the budget deficit, it damaged the longer term growth prospects of domestic industry and increased costs to unaffordable levels for the poorer social classes (Abdel-Khalek, 2001). The poor suffered from the gradual replacement of state provided health and education services with new neoliberal 'cost recovery' alternatives (Mitchell, 2002; Tadros, 2006). Land reforms meant that land lost through 'President Nasser's gift to the peasants', the 1952 reform act, was purchased back by the original wealthy landlords. Along with the ownership change the new act meant landlords could evict tenant farmers after 12 month contracts in favour of larger agribusinesses (Bush, 1999; Saad, 2002). It is estimated that over a million tenant farmers were evicted and over 700 thousand more jobs were lost under this act alone (Mitchell, 2002).

Banking sector reforms as part of the SAP made banking very profitable and attracted significant amounts of global capital. However, the contribution of the banking sector to growth in the real economy was minimal. The East Asian crisis was the first indication of the weakness of finance-driven growth. In Egypt as in other developing nations, international capital fled, slowing the headline growth of the economy. Banking reforms continued and by 2006 all but six percent of the governments banking shares were in private hands (Abdel-Khalek, 2001).

Open markets and promoting foreign investment are founding principles of the World Bank (Harrison, 2004). In Egypt, as part of the SAP, import bans and trade tariffs were removed for both agriculture and manufacturing, opening up Egyptian companies to foreign competition and foreign capital. Newly privatised industries, which were already in the hands of supporters of the incumbent regime, were sold again to foreign investors. This created a super-rich business elite. The removal of import bans and tariffs had a significant effect on agribusiness and manufacturing in Egypt. The sectors began to suffer a period of rapid de-industrialisation as a domestic industry was replaced with foreign producers and cheaper imports (Abdel-Khalek, 2001).

Much of the new and existing industry moved to tariff free areas, which encouraged inward investment but derived no income for the state. The 10-year tax break system was abused as companies reaching their 10th year dissolved and reincorporated to receive further tax breaks (Sulayman, 2011). At the same time, corporations were enjoying tax breaks while employees were experiencing rising taxes and rising prices. Employees were also incurring additional costs for services, education, and health that had previously been provided by the state under Nasser and Sadat. These reforms created a deteriorating long-term economic situation for Egypt which led to increasing inequality and growing dissatisfaction in the population. These conditions are said to have in part led to the 2011 revolution which saw the overthrow of President Mubarak (Sims, 2012).

The 1991 SAP oversaw the privatisation and downsizing of the Egyptian state at the cost of the Egyptian people (Bush, 1999). The re-distribution of industry, land, money, and rights fell in favour of large international capital and the landed elite to the detriment of the majority of Egyptians. This not only caused higher instances of poverty in the population, it ultimately contributed to the political instability over the years running up to the 2011 revolution (Sims, 2012). De-industrialisation and land reforms also led to an increase in urban migration and a swelling mass of unemployment in Cairo and other larger metropolitan areas (Saad, 2002; Mitchell, 2002; Sims, 2012). In 1990 Cairo was estimated to have a population of around 12 million, which grew to 22 million by 2011. The official unemployment rate in 1988 stood at around five percent but by 1993 it had increased to over 10% and today stands at around 15%. Estimates of the size of the informal economy in 1993 ran at around 40%, meaning actual unemployment (people not in formal employment) was much higher than the headline 10%, informal employment is included as ‘employed’ in the Egyptian employment statistics (Sims, 2012). The combination of these events created pressure and dissatisfaction among an increasingly poor Egyptian society.

In 2011, to chants of "bread, freedom and social justice" President Mubarak was overthrown after 30 years of rule. The revolution, whilst political in many ways, had economic causes. It reflected how the population felt that the social contract between people and state was broken (ElDahshan, 2015). The subsidised food, power, and transport had diminished to a point where working people could no longer live on what they earned. The revolution bought about regime change and a period of volatility, both politically and economically, with multiple elections and a further revolution. A Muslim Brotherhood president, Mohammed Morsi, was elected and held office for a year before a popular revolution backed by the army and a military general, Abdel Fattah el-Sisi, overthrew him. Abdel Fattah el-Sisi became the interim president and then in 2014 formally became president in a landslide election.

During this political upheaval, whoever had been in power at any time between 2011 and 2014 gave the people what they wanted. The public sector increased in size, 450,000 temporary contracts were made permanent, and salaries and pensions were increased by 15%. Alongside this, the government approved increases in subsidies for food and fuel from $15 Billion to $26 Billion per year (Momani, 2018). Whilst these moves addressed some of the population's immediate demands, they did the opposite for the state of the economy. The underlying economic fundamentals were poor, public sector debt was increasing, foreign exchange balances were reducing, and the instability was keeping away investors and tourists alike (Brown, 2016).

In 2016, the economy stalled and the IMF stepped in to provide a $12 billion funding package, the CPF. The CPF was designed to "address macroeconomic vulnerabilities and promote inclusive growth and job creation" (IMF, 2016b). The CPF was provided on the conditions of monetary, fiscal, and structural reforms. The monetary agenda focused mainly on the floating of the Egyptian currency and a containment of inflation. Fiscal reforms meant reducing public debt through cutting the civil service and subsidies on food, fuel, and transport (Momani, 2018; Aboudi, 2018), as well as the introduction of VAT. Structural reforms focused on industrial competitiveness, the opening of markets, and the increased provision of finance to

SMEs. Whilst the CPF did have some measures to ease the burden on certain groups, such as support for women, increased spending on day care centres and the provision of free school meals for the poorest, the overall result appears to have made life more difficult for those living on and near the poverty line (El-Badrawi, 2017).

Headline figures used to demonstrate the CPFs success show increases in financial inflows to Egypt. These inflows were expected to be in the form of FDI, but data indicates they are increased remittances from migrant workers buying assets at a reduced post devaluation price (Mohammed, 2019). On the ground inflation rose to above 30% which created significant hardships among the larger parts of Egypt's population. The devaluation increased the prices of many basic foods and goods, cooking oil, rice, sugar, and other everyday staples. These have been subject to hoarding with profiteering, pushing the prices higher still (Momani, 2018). The anticipated improvement in domestic production capabilities has yet to be realised, Egypt still largely relies on imported goods and inputs, all purchased in foreign currencies, meaning a near doubling in prices (Momani, 2018). In 2018 unemployment was still increasing and across Egypt there was the emergence of new protests and riots termed the 'new bread riots' in reference to the riots of the 1970s (Eye, 2018).

The brief overview of Egyptian economic history is not a detailed analysis but rather an insight into the political economy that created certain conditions on the ground. It demonstrates the impact and outcome of the SAP and CPF on the people of Egypt and provides an understanding of the environment to which microfinance was introduced. The economic history of Egypt created ideal growth conditions for the microfinance sector where microfinance is positioned as a tool to reduce unemployment and address poverty (Bateman, 2010b; Bateman and Chang, 2012; Mader, 2015). The CPF not only created the right conditions, it also dictated the flows of finance to ensure microfinance was supported. The CPF stated that new bank funding would be channelled towards SMEs (IMF, 2016a) to support growth and jobs. This boosted the entrepreneurial narrative of microfinance in Egypt. According to data, funding set aside for SMEs, the dynamic job creating sector, was allocated to microfinance, the MSE sector - a far larger and more profitable sector for banks that is significantly less impactful in terms of job creation, innovation and poverty reduction (Bateman, 2010b).

Microfinance in Egypt

The 1990s SAP left a fertile landscape for the microfinance industry in Egypt. The large and growing population combined with the oversized informal economy meant that from the early 1990s the aid agencies, predominantly USAID, and INGOs promoted microfinance services to fight poverty and generate employment (EFSA, 2008; EFSA, 2014). It is estimated that as of 2008, USAID funded 50% of the microfinance activities in Egypt (UNAGIFS, 2008). The MFI sector started as small scale NGOs promoting credit and training for Egyptian entrepreneurs, by the mid-2000s there were 280 microfinance programmes with over 1 million active clients (EFSA, 2008). Egypt has become the largest microfinance market in the Arab world, measured by both the number of borrowers and by the loan portfolio (CGAP, 2005). The expanding informal sector led the Egyptian Government to launch a national strategy to encourage the formalisation of rapidly forming microenterprises (CGAP, 2005). The state acted to reduce bureaucracy to enable microenterprises to formalise and hoped for increased tax revenue, with little success. To support the government's strategy, USAID, KfW, and the UNDP jointly launched their own national strategy for microfinance in Egypt. The strategy targeted:

> The economically active poor, meaning those who are not destitute. The economically active poor include the micro enterprise sector, and the vulnerable poor who are employed in low-salary jobs, both of whom are excluded, or underserved by the formal financial system (CGAP, 2005:11)

The strategy identified target groups in both the entrepreneurial and the financial inclusion narratives. At the time, MFIs were free to pursue any form of lending they chose. MFIs could lend for both enterprise and consumption.

After the introduction of the microfinance strategies, the industry grew. Yet by 2008, the penetration rates in Egypt were measured at around only 6%, well below average for similar countries (EFSA, 2008). Egypt was identified as a key growth market by the IFIs due to unmet microfinance demand (Prior, 2010). The IFIs and MFIs ascribed the slow growth to over-regulation within the sector so they lobbied the government to liberalise the market. In two sets of laws, 2008 and 2014 the Egyptian Government approved new pro-growth microfinance laws, opening the market to for-profit MFIs and foreign investment. MFIs could make a profit from lending and expand their lending activities to cover a broader range of clients (EFSA, 2014). According to the Microfinance Forum (2016), this new law has allowed the issuance of 700 institutional licenses since 2014, an increase of 420 institutions since 2008. The 2014 Law contained a regulation that the existing MFIs had not expected. NGO MFIs, 100% of the non-bank market prior to 2008 and still over 90% of it by 2014, were only allowed to lend for enterprise purposes, which meant large parts of their portfolios being lent for consumption were no longer legal.

The structural and legal adjustments facilitated growth in the commercial microfinance market of Egypt, just as the IFIs had desired. In 2018, there were 897 active licenses for microfinance provision and many more awaiting approval. NGOs were legally mandated to only offer enterprise loans and therefore switched their public communications to the entrepreneurial narrative. Private and foreign-owned MFIs could offer any type of loan, enterprise or consumption. Egypt has c. 3.1 million active borrowers and a loan portfolio of over US$1 billion (El Tawil, 2018). Women make up c. 70% of all clients and the average loan size across the country is 1000 L.E (US$62) (Salem and Malak, 2017).

The study of microfinance in Egypt is limited compared to most other African or Asian countries. What studies there are, are focused primarily on financial systems and sustainable financial models for NGO MFIs (NBD, 2000; UNAGIFS, 2008; EFSA, 2014; Razek, 2017) or on a welfarist approach looking at an improvement in poverty indicators whilst not commenting on the way they were achieved (Nader, 2008; Drolet, 2010; El Hadidi, 2016; El Hadidi, 2018). Much of the literature would be considered pro-microfinance, finding positive correlations between income, assets, children's education levels (Nader, 2008), positive impact on women's empowerment (El Hadidi, 2016; El Hadidi, 2018), and concluding that microfinance should do more to enhance women's empowerment (Drolet, 2010).

The studies use predominantly qualitative data, without the sophistication of the RCT methodology, to observe changes in behaviours. The correlations in income, assets, and children's education levels (Nader, 2008) are consistent with an injection of capital into a household. There is no deeper exploration as to what causes the increase in income, loan capital or microenterprise, so there is little scope for further conclusions. Other work (Drolet, 2010; El Hadidi, 2016; El Hadidi, 2018) use qualitative analysis through a perception of change survey, taken only post borrowing, not before and after. Whilst the studies show women slightly perceive themselves to be more empowered after borrowing, the method means the data would not be considered valid under the terms of Duvendack's criteria for assessing impact for DfID (Duvendack et al., 2011).

There is one critical and influential work on microfinance in Cairo, a piece written by Julia Elyachar (2005). The work focuses on microfinance delivered by the Social Fund for Development (SFD) through NGOs and the dispossessive nature it has on the craftsmen of Cairo. The SFD was a government and UNDP backed microfinance mechanism designed as a social safety net during the economic and structural reforms. It was introduced at a time when the IFIs were pushing the entrepreneurial narrative to conceal issues created by their neoliberal agenda. Elyachar's ethnography, Markets of Dispossession, presents a critique of the notions of the market in the craftsmen's world in Cairo. The market she is referring to is the expansion of neo-liberal ideology that was driving poverty alleviation programmes implemented by the IFIs and International Governments.

The work observed the forced movement of 'craftsmen', a term in Egypt that signifies a skilled person with a workshop, from the centre of Cairo to a new city. Madinet El Hirafiyeen, or Craftsman City, was built by the government on the outskirts of Cairo. The city, like a neoliberal experiment for the free market, was poorly located, poorly constructed, and poorly connected. The move, designed to clean up the city centre for a property boom, broke old networks and ruined the livelihoods of thousands of craftsmen across Cairo. Elyachar's use of the word dispossession was not an accident. People were dispossessed not only of their livelihood but of their ability to decide. The result was total disempowerment and the tools for this disempowerment were the empowerment programmes of IFIs, government, and NGOs. The craftsmen were forced to move to the new city at the same time as the SFD and MFI NGOs were encouraging the unemployed and graduates as well as unskilled microentrepreneurs to move there and set up businesses. Craftsmen and the unskilled poor were categorised together, working to legitimise the idea of the poor as entrepreneurs, and to de-legitimise another, the craftsmen as skilled technicians. Microfinance was the tool that facilitated the move, creating a mass of ‘entrepreneurs’ to whom NGO MFIs could provide loans.

The work observed the construction of the ‘entrepreneurial’ narrative in Cairo, where graduates, unemployed, and subsistence salespeople were all classified as entrepreneurs along with the skilled craftsmen. The title craftsman in Egypt was meaningful. It symbolised skilled, trusted workmen who belonged to old networks and the fabric of Cairene life. They were now ‘entrepreneurs’ like everyone else, and their title, their old networks, and their livelihoods were now meaningless. Elyachar demonstrated how the individuals were incomparable in terms of their skills and ability to run a business but were grouped together for the convenience of the narrative and for microfinance policy. The blurred lines made the questioning of the narrative of the entrepreneurs more difficult to challenge. The narrative dispossessed the craftsmen of their title, their status, their culture, and their network and gave it to everyone else. Today, Madinet El Hirafiyeen is a poor satellite city of Cairo and It never experienced the market boom the IFIs and NGOs expected. The social grouping of skilled craftsmen moved on. Many are said to have emigrated with broken livelihoods. Few passed their skills on to the next generation which was something that had happened for generations prior to the intervention. Those that remained there were overindebted, unskilled ‘entrepreneurs’ who had no market for their limited skills or basic products and were living in relative poverty, far from the commerce of Cairo.

Elyachar’s work demonstrated the embedding of the term entrepreneur, the entrepreneurship narrative, and microfinance into the daily vernacular of Egypt. Despite the failure of Madinet El Hirafiyeen, today, youth, graduates, and the unemployed supported by NGOs are still told they can and should be entrepreneurs, borrow money, and start a business. The efforts by the SFD created hegemony for the entrepreneurial narrative. The IFIs, the Government of Egypt and the MFIs, all still promote microfinance for microenterprise, as a solution to unemployment.

The Egyptian Entrepreneur

Whilst entrepreneurship as a narrative has always been associated with microfinance in Egypt, over the past 10 years, in response to growing rates of youth unemployment, this association has grown stronger. Government policy supported by the IFIs have reignited the narratives of the entrepreneur. At a grassroots level, government policy has been supported by NGOs, universities and other stakeholders who have promoted the idea across society. Culturally the association with entrepreneurship in Egypt is strong but the reality on the ground in terms of doing business, ranked as 120th in the world in the ease of doing business survey (WBG, 2019), at least formally, entrepreneurship remains unfavourable (Saeed and Wasfy, 2015; GEM, 2018).

In 2010 the Egyptian Government's Ministry of Planning began to focus on SMEs as a driver for employment. Due to rising levels of unemployment, a growing population and a shrinking public sector, the ministry developed a three-pronged focus on generating more SMEs. Firstly, it created start up hubs across Egypt, supported by IFIs, working to minimise bureaucracy associated with business start-ups. Secondly, the government through state bank lending targets eased access to credit for the MSME sector. Thirdly, and perhaps most importantly, the government started a communications campaign to demonstrate to the public the support they were providing to entrepreneurs. The drive towards SME-led development was reiterated in the Government's 2014 development plans (GovOfEgypt, 2014). The campaign of publicity and promotion had an impact on the number of people considering entrepreneurship as an employment option (GEM, 2018). However, research data suggests fewer people are actually choosing it meaning that the impact of the publicity was only to prompt people to consider entrepreneurship. The government's promotion of entrepreneurship came against a backdrop of a doubling in the rate of business failures due to increasing prices and limited profitability (GEM, 2018), demonstrating the real challenges of running a microenterprise.

The Government's campaign of publicity has had an impact on perceptions of entrepreneurship in Egypt. A survey taken in 2018 found that Egyptian society's feelings about entrepreneurship are increasingly favourable with 72% believing it is a good career choice and with 82% regarding successful entrepreneurs in high social status. This is a significant increase from 50% in 2010. Whilst perceptions of entrepreneurship have improved, the understanding of the real challenges facing entrepreneurs had not. 54% of the population believe there are not sufficient markets for any more entrepreneurs in Egypt and 70% believe they have none of the skills or abilities to successfully run or start a business. These statistics, provided by the London Business School's Global Entrepreneurship Monitor (GEM, 2018) demonstrate a positive change over the 8-year period in terms of positive perceptions in society. The marketing campaign of the government worked to influence perceptions but that did not translate into actions.

Whilst the narrative of the entrepreneur is strong and seemingly growing in Egypt, the environment for entrepreneurs, especially start-ups, remains poor. Egypt ranks in the bottom quartile in terms of all measures to support business. This is compounded by the fact that access to finance is reported to be getting more difficult for existing businesses in the MSME sector, despite an increase in overall funding being provided to the sector. This is a symptom of financial over-provision to the non-productive microfinance sector at the expense of the real productive SME sector (Saeed and Wasfy, 2015; GEM, 2018). Market volatility, rising inflation, and poor levels of education in the field of entrepreneurship are further barriers to entrepreneurship in Egypt, a market that is considered hostile to business start-ups. Despite the challenges, the narrative remains pervasive because it is useful for the government as it is for the IFIs and MFIs.

Methodological Foundations

Using the case of Egypt, I sought to determine the role of narratives in the maintenance of the hegemony of microfinance through the perceptions, understandings, and interpretations of those involved. I selected an interpretivist epistemology to answer the research question, I wanted participants situated experiences to explain how and why they interacted with microfinance, allowing for thick contextual explanations (Bryman, 2012). Microfinance studies quantify humans, their activities, their repayments, their health, and their purchases to symbolise impact and demonstrate the success of microfinance as defined by a narrative. Their lives are constructed as entrepreneurs who have free choice. The narrative concludes that they choose the optimal outcome for their own wellbeing from a range of options, entrepreneurial microfinance only being one of them (Bateman, 2010b). The literature has shown that the rational construct of microfinance borrowers as utility maximising entrepreneurs is far from certain (Banerjee et al, 2015:22). The broad range of data on microfinance borrowers shows realities that are more divergent than that of rational choice. Therefore, interpretivism provides a research logic that allows the distinctiveness of human behaviour to be reflected in my research output (Bryman, 2012).

Interpretivism is part of the post-positivist tradition of research. Like constructivism and naturalism, it holds the epistemological position of the possibility of multiple realities within the human social world (Flick, 2009; Bryman, 2012). It differs from the positivist traditions which maintain that 'truths' about human reality are discoverable through methodologies borrowed from the hard sciences (Flick, 2009; Bryman, 2012). Interpretivist social research sees humans as self-conscious social beings with capacities of reflection and self-awareness. Humans draw on their own understandings and actions to construct their own social realities. Their constructed realities may be counter to the other, sometimes larger, social realities within which they exist (Ritchie et al., 2013).

To answer my research question, I sought to better understand what goes on in the field at the point where the borrower meets loan officer, beyond the policy discussions, IFIs, MFIs, and academic commentary. Quantitative studies have both created and shattered the entrepreneurial narrative of microfinance. Although the industry claims great results, these studies conclude that microfinance does not have the expected or stated outcomes for the poor (Duvendack et al., 2011). Yet, the development industry still actively promotes the narrative of success. I, therefore, needed a qualitative approach to better understand the reasons why the narratives can promote one thing and people seemingly engage in another. I wanted to go beyond the economics of microfinance and understand the beliefs, perceptions, and realities of those that engage with microfinance on a daily basis. The following section details the process of designing my primary research in my case study country, Egypt.

Study Area and Participants

My fieldwork for this thesis was undertaken over two years in Cairo, Alexandria, and the surrounding areas between 2016 and 2018. To answer my research question, I worked to obtain the perspectives of those involved in all levels of the microfinance industry. I sought to explore how the narratives of microfinance are promoted by the industry as well as to what depth those narratives resonate with those that engage with microfinance. I argue that neoliberal development ideology determined the narratives of microfinance. Both champion an individualistic market-based solution to the problems associated with poverty. Using a qualitative approach, I sought to better understand whether those narratives were present in the *senso comune* of those that lend and borrow. My primary research sample was made up of 35 participants, over the two levels, from the four different tiers. Five representatives of IFIs, five CEOs of the largest MFIs in Egypt, six lending officers from MFIs in Cairo, Alexandria and the Delta and 19 borrowers from the same geographic locations.

The first tier interviewed were IFI representatives who were donors, funders, and advisors of microfinance programmes in Egypt. They were all of non-Egyptian origin and lived in Cairo as part of their roles. Their roles were either in the direct wholesale funding of MFIs or in the strategic orientation of microfinance at the policy level. The individual organisations that were selected for this study are the largest influencers of microfinance in Egypt. Their representatives' perceptions are of particular interest because they are the drivers of the narratives of microfinance as well as the enablers of the growing microfinance industry. Collectively they channel hundreds of millions of dollars towards microfinance in Egypt every year.

The second tier of the policy level were CEOs of MFIs. These individuals were uniquely placed between the policy and the practice levels. Their roles were viewed as the channel by which the global narratives hit the local. Many of them were connected to the IFIs, either through previous jobs at IFIs or through the sharing of policy platforms and an extended network in the microfinance industry. They were based in either Cairo or Alexandria and were Egyptian nationals. This thesis selected the five largest or most prominent MFIs in Egypt, four of which were NGOs and one a commercial MFI formed after the 2008 law. Interviewing the CEOs was important because they are directly attached to both the IFIs and the MFIs operations. They network with the global and talk to the local.

The second group is also made up of two tiers. MFI loan officers were the third tier. They are individuals with direct contact to the borrowers as well as a connection to the CEOs of the MFIs. Loan officers are local to the specific areas they worked in and had daily contact with borrowers through the channel of the MFIs. The MFIs that the participants worked for were based in Cairo, Alexandria and in the Nile Delta, which covers the area between those two cities. The loan officers receive instructions from the directors of the MFIs and are therefore deeply exposed to the narratives the MFIs promote. The loan officers also are directly connected to the borrowers, which allows them to observe the intervention on the front line. The loan officers had a perspective which is rare in the study of microfinance: a mix of organisational narrative as well as direct interactions with clients.

The second part of the practice level is the fourth tier of the thesis. This is made up of microfinance borrowers, individuals who had taken loans from an MFI. Many were borrowers of MFIs whose CEOs or loan officers were interviewed by this thesis. However, in order to get the largest sample size, borrowers of other MFIs were also included. These individuals are the ones that have had a narrative thrust upon them. They are part of the positive international discourse supporting microfinance, the ‘entrepreneurs’ or those that have now been ‘included’. Their participation in my work was critical as their perceptions and interactions with microfinance can re-tell the story that has been told about them by the industry. Their experiences informed my work of their reasons for borrowing as well as about the processes of obtaining their loans. Their experiences and understanding of why they borrowed, as well as what they believed they are participating in, allowed me to understand how they perceive microfinance, not how the narratives tell us they perceive it.

Recruitment of Participants

Participants were drawn based on their position within the broad system of microfinance in Egypt. I was not seeking individual attributes or specific situations; therefore, no assessment of situation was made in terms of the individual's status, health, or poverty level. These attributes could be considered important for certain types of microfinance study. However, I wanted a broad range of perceptions and perspectives, not an assessment of the impact on levels of poverty. The participants needed to be positioned within the industry at one of the levels or tiers I had predefined. The recruitment process was semi-organic, using contacts, snowballing, and gatekeepers for access.

At the outset I had three defined entry points for the participants. My work in Egypt provided me with a range of professional contacts within the IFIs. My connections, if they were not the specific individuals required for this research, provided me with introductions to the heads of the organisation's microfinance office. Whilst I was designing my research and writing my proposal, I worked with Dr El Hadidi at the British University in Egypt. She was an experienced researcher in the field of microfinance in Egypt and had written extensively on the subject of microfinance and women (El Hadidi, 2016; El Hadidi, 2018). Through Dr El Hadidi I was able to make contact with the CEOs of two of the largest microfinance organisations in Egypt. I asked those CEOs for the details of other CEOs, which was an effective method in gaining access to the other key organisations (Bryman, 2012).

Having been based in Cairo for a long period of time, I was able to find a trusted research associate to assist with contacting loan officers and borrowers. The research associate is a long-term professional contact of mine, who previously ran training programmes for INGOs, including the provision of training for women in entrepreneurship. My research associate is an experienced researcher with degrees in linguistics and translation and is skilled at working with the participants of NGO programmes. She was able to provide access to a number of loan officers whom she had been in contact with whist working with INGOs. Using snowballing, directly asking the participants if they knew anyone else who would be interested in participating (Bryman, 2012), I was able to access other loan officers and borrowers. The CEOs of the MFIs as well as loan officers also offered access to borrowers, their referrals made up 30% of the borrower participants. The remaining 70% were obtained by asking borrowers for referrals and snowballing.

Interviews with the representatives of IFIs and the CEOs of MFIs took place in English due to the level of detail provided and it was the prevailing language of business. They were recorded on a Dictaphone and later transcribed. I conducted the interviews with loan officers and borrowers in Arabic, I was assisted by my research associate. The research associate collected detailed notes during the interviews and I made field notes where the conversation allowed. Post interview, reflective notes were made and discussed between us. The notes were then combined, transcribed, and translated accurately as a collective effort between myself and the research associate. A detailed and anonymised interview schedule can be found in Appendix 1.

Semi-Structured Interviews

I selected semi-structured interviews as the method to collect my data as it allows for the deep examination of individuals experiences. Semi-structured interviews allow some freedom within the interview whilst still being driven by the guiding theoretical framework and the prevailing literature (Galletta, 2013; Mertens, 2010). The semi-structured nature provides an overall direction to the interview and allows the concepts of the literature to be integrated but not to dominate the discussion (Galletta, 2013). Stories and personal experiences can interact with the broader literature to provide a theoretically rich narrative (Galletta, 2013; Bryman, 2012). Whilst semi-structured interviews are time consuming at the delivery and the analysis stages (Wholey, Hatry and Newcomer, 2010), the empirical nature and the richness of the data is unparalleled for this type of study (Galletta, 2013).

The direction of each interview was maintained by an interview guide, not fixed questions, open ideas to formulate open questions that covered the core theoretical themes. This ensured the issues that were discussed with the participants had consistent themes and focus and only varied based on individual context (Galletta, 2013). This was particularly important given the divergent social strata the interviewees came from. The flexibility of the guide also allowed additional questions to be asked as answers are elaborated on by participants (Bryman, 2012). Given the desire to elicit deeply personal stories, the space for interviewees to elaborate and digress was of particular importance. It was important during the formulation of the interview guide that it did not close off the possibility of adding questions to explore alternative and unseen avenues of enquiry that became apparent as the process progressed (Lofland and Lofland, 1995).

The formulation of the interview guide had three phases. The interview guide was constructed around the dominant themes of the literature structured to answer the research question. This guide was then tested on colleagues who were involved with microfinance but were not participating in the study. The guide was then further refined, incorporating the ideas and redrafting certain questions to give a more open and elaborate answer from the participants. The field-tested interviews lasted between 45 and 90 minutes. During the study this was found to be about the right time for getting the appropriate data. Interviews with the IFIs and CEOs were all over one hour and the interview developed more detail and broader themes. Those with loan officers and borrowers varied, from 15 minutes to one hour, the average being about 30 minutes. The process of field-testing was limited due to access to participants but the procedures identified by Galletta (2013) in her research guide were followed to ensure the widest scope for refining the questions. A copy of a draft interview guide for IFI participants can be seen in Appendix 2.

Analysis and Coding

The data collected was analysed using the software programme F4 Analyse. To answer the main research question, 4 core codes were developed which covered all the tiers to unify the data. The codes were developed from key concepts and themes highlighted in the literature. The codes were reflective of the narratives of microfinance, entrepreneurial and financial inclusion, and this worked to focus the interviews on the promotion and consumption of the narratives. The codes were again refined and confirmed during the first analysis of the data, this allowed for non-core codes to be developed which were unique for each specific tier. The core codes for the analysis of data were:

Entrepreneurship – This code was selected as it was the key narrative of the IFIs and MFIs in Egypt. The mechanisms of hegemony promoted this narrative to the Egyptians. Therefore, especially in the interviews with tiers one and two, the idea dominated. Research shows that microfinance is unsuccessful in creating and supporting entrepreneurs yet the IFIs and MFIs are still willing to promote it. Using this code allowed for this thesis to observe the attempt at the maintenance of hegemony by the IFIs and MFIs as well as explore the depths to which that reaches in the interviews with tiers three and four.

Poverty Alleviation – A key part of the narrative of the entrepreneur is that borrowers are able to escape poverty. The literature review concluded that poverty alleviation was not achieved through access to microfinance. This thesis seeks to understand how the IFIs and MFIs publicly present that concept in the face of evidence against it. While this thesis is not assessing the impact of microfinance, how the participants perceive the loans in relation to poverty is important.

Financial Inclusion – As the global imperative of all the IFIs and the previous operational model of the MFIs, financial inclusion was a code central to understanding the extent neoliberal narratives were responsible for the success of microfinance. How the IFIs and MFIs communicated the newly imposed narrative of entrepreneurship over their global drive towards financial inclusion was of interest to this thesis. The narrative of financial inclusion is the core narrative of neoliberalism and how the IFIs and MFIs choose to communicate this in relation to entrepreneurship was a determinate of hegemony. From the perspectives of loan officers and borrowers, the narrative of financial inclusion is perhaps a truer test of the hegemony of microfinance.

Consumption – Financial inclusion by one name is consumption lending by another. If loans are not for productive enterprise, then they must be for consumption. The narrative of financial inclusion avoids the use of the word consumption spending to distract from the fact it is loans for the poor to consume. How the participants of the interviews differentiated between financial inclusion and consumption spending is a determinate of the hegemony of both microfinance and the narratives.

The codes were selected using the deductive coding method. A codebook was developed during the literature review and interview process that aligned the data with the literature and the theoretical framework. The data provided within those codes provided the deep insight into the narratives of microfinance and enabled the research question to be answered.

Positionality and Reflexivity

As the principal researcher, it is necessary to consider in detail my positionality within this study (Savin-Baden & Major, 2013:71). I have a background in financial services and have worked extensively with elements of the microfinance industry, predominantly as an external financier, but also an advisor. Through my work, I was able to interact with microfinance at a policy level as well as observe the preparation of impact studies and regularly visit borrowers (none of whom were participants in this study). My work at the coalface of microfinance led me to question some of its key assumptions and practices, particularly the industry's claims that microfinance represented a route out of poverty for borrowers. Accordingly, I am aware of how my work in the sector has influenced not only my subject of study but also my expectations (Rowe, 2014. Gary and Holmes, 2020: 2).

Over the course of my career in finance, I became sceptical about the microfinance industry's assertions with respect to entrepreneurship and financial inclusion when it came to the value of support loans to the poor. My conversations with key representatives in the sector always appeared more focused on issues of revenue generation, return on investment, and portfolio growth (as opposed to social upliftment through entrepreneurship). My scepticism of microfinance was further fuelled by my conversations with borrowers who invariably told a rather different story to that outlined by the industry's proponents. As a result, when I embarked on this study, I was dubious that the claims made by the sector would withstand scrutiny. My sense of unease with respect to the disjuncture between the 'official narrative' promoted by the sector and the 'realities' I observed on the ground was what sparked my interest in this research.

Alongside my professional background, I am a male non-Egyptian, and whilst with the IFI representatives I had a similar background, I was an outsider to the culture of the majority of study participants. I am aware of the insider/outsider debate in the literature of positionality and understand that as an outsider, the responses I get in my research will be based on the participants' perceptions of me (Gary and Holmes, 2020: 6). Having lived in Egypt for many years I am able to communicate in an Egyptian dialect of Arabic, this has both advantages and disadvantages much like the wider insider/outsider debate. This discussion becomes more complex as I was accompanied by a research associate who is an Egyptian woman. As well as there being considerable cultural differences with the majority of the participants, there were also the issues of both gender and social class to be considered. Borrowers are commonly women. The borrower participants in this study were 65% women and also could be considered vulnerable due to their social status and potential reliance on the MFI. The respondents remain anonymous and I address other aspects of this vulnerability below.

Reflexivity is "the process of reflecting critically on the self as researcher, the human as instrument" (Guba, 2000:210). I, therefore, need to be clear on my position to identify the biases, dispositions, and assumptions that form the basis of my research. The process of defining my position in this research and within the microfinance industry should allow for a better understanding of the influences that led to this research (Palaganas, 2017). In identifying my position, I also worked to establish rigour in my research, developing research tools that gave validity to my quantitative work. In the designing and testing of my research guide, I worked with my research associate to test the materials to provide an open platform for participants to share their perceptions. In analysing the data, further consideration was given to interpreting the material, discussions between myself and my research associate gave balance to interpretations where one or other of us had a varying assessment of what was stated (Gary and Holmes, 2020: 8).

When working with women borrowers, I ensured that in all cases the research associate made the initial approach and contact. This was to establish if the presence of a foreign male was a concern or appropriate, and to ascertain the optimal location for the interview. It was important to me that I was present at as many interviews as possible, primarily for the consistency of data. I determined that if all participants were faced with the same individuals, they would all have the same experience on which to base their perceptions and choose their responses. In the case of the loan officers and borrowers, the research associate was present for each interview. For the IFI representatives and the MFI CEOs different considerations were made. They were all professional males, predominantly Western educated and based in corporate offices. As I had professional relationships with many of these participants, or at least their colleagues, I undertook these interviews without the presence of the research associate. To prepare I considered Harvey's (2011) work on elite interviews to ensure that the approach and tone were appropriate.

Research Ethics

Ensuring the ethical collection of data was critical to this thesis. The data collection activities and the proposed subjects were approved by the University of Bristol Ethics Committee prior to undertaking the research. As part of this process, the study ensured that the participants were aware of who the researcher was and what was their reason for the study. Both verbal and written consent, in Arabic and English, was granted by each participant who was made aware of the following at that time:

- The purpose of the research
- That there was no monetary benefit to them of participating in the study
- That the recording of the interview was at their discretion
- That they were assured they could withdraw from the process at any time
- That they participated anonymously
- That the data would be used only for the research stated and not provided to anyone else
- They had the contact details of the researcher should they wish to make contact.

Information Management

The information collected during the interviews, both audio files and comments as well as field notes and transcripts, were reviewed and triangulated to identify any gaps and errors in the process (Bryman, 2012). All the data was transcribed into English and stored on encrypted drives until they could be transferred to the University of Bristol's secure drive. Participants were assigned a code and the details of the participants and their codes were recorded and stored separately to ensure anonymity. This data was stored securely until the analysis stage when it was modified and thematically analysed according to the coding. The anonymity remains in place.

Conclusion

This chapter has set out the context against which my research took place as well as detailed the selected methodology. The chapter is designed to act as a guide to understand both how and where they data was collected as wellhas how it was managed. In outlining the context of Egypt, both the political and economic situation, the chapter explained the backdrop of statism and neoliberal development ideals that supported the proliferation of microfinance.

I argue that Egypt as the backdrop to my research is as important as a context as it is a location. Whilst the implementation of microfinance supported by narratives takes place across the world, Egypt is experiencing the promotion of multiple microfinance narratives which provides depth to my study of the hegemony of microfinance. The narrative the microfinance industry is promoting in Egypt is being played out for a second time, 20 years after it was removed. Entrepreneurship is encouraged against an economic model of state reduction and privatisation and the microfinance industry is again working to promote the notion the poor can start businesses to alleviate their own poverty. The reintroduction of the entrepreneurial narrative in Egypt creates a unique opportunity for my research to understand the extent that the narratives are present in the *senso comune* industry participants.

Using semi-structured interviews, I was able to obtain thick contextual accounts of participants' experiences and perceptions which told the story of microfinance from the ground up. Developing an interview guide allowed me to design questions that were literature driven whilst having open discussions and take multiple directions. A qualitative approach enabled me to elicit rich data from the respondents which addressed in detail my research question. I made considerations as to my positionality in this study and I worked to ensure that my research process accounted for that and acknowledged it where possible. All of the research was conducted using the highest ethical standards and following the procedures outlined by the University of Bristol.

The aim of this chapter was to contribute to the literature review and theoretical framework in setting the scene for the detailed analysis of the data over the following four chapters. Over the following chapters I analyse my data in order to understand how the narratives of microfinance are engaged with through the stories told by the participants. I have separated the participants into their respective tiers, starting with the IFI representatives and working down to the borrowers. The aim of each chapter is to contribute a specific piece of knowledge that will collectively answer the question of the role of narratives in the hegemony of microfinance.

Chapter 5 - The View from Above – Perceptions of Key Microfinance Decision Makers from the International Financial Institutions

Introduction

According to Cox's definition, IFIs are mechanisms of hegemony (1983) and, as such, they collectively promote narratives that legitimise the norms of the prevailing historical bloc. I argue that the IFIs rely on narratives to support the implementation of microfinance and maintain its position as a hegemonic development policy. The narratives promoted by the IFIs have normalised the idea that high interest debt to the poor is a development imperative. To investigate my argument and answer my research question, I interviewed representatives from five IFIs and asked for their views and perceptions on the role of microfinance in Egypt. Exploring how they presented the role of microfinance allowed me to understand both how the IFIs are supported by narratives and also the extent to which those narratives were hegemonic at a policy level.

In Egypt, the IFIs promote the entrepreneurial narrative which is at odds with their global narrative of financial inclusion. I sought to understand whether the narrative of entrepreneurship is presented as an effective tool in creating employment despite their organisations moving away from that narrative. Globally, the IFIs now promote the narrative of financial inclusion, the successor to the entrepreneurial narrative. In interviewing IFI representatives I aimed to understand how they navigated between two narratives, one that they publicly promoted in Egypt and one that their organisations supported globally, each with divergent aims and claims. Using the Gramscian theoretical framework to interpret the IFI representatives' answers I aimed to observe their reliance on narratives and to better understand the role of those narratives in influencing *senso comune* at a policy level and in the maintenance of the hegemony of microfinance in Egypt.

The Participants

Throughout this thesis, the participants in this chapter are referred to as tier one. The institutions they represent, both globally and in Egypt, are considered among the most powerful of the global financial development institutions. In tier one, there were five participants. Each represented their respective IFI at a policy level, being the most senior in-county representative related to microfinance. The IFIs that participated are the largest active funders, promotors, and influencers of the microfinance industry in Egypt and therefore at the forefront of the promotion of narratives. To maintain the anonymity of the participants and the organisations they represent, their names and roles have been removed from the data.

The IFIs that participated were critical in the foundation and operation of all the MFIs that participated in my research, demonstrating the interconnected nature of the IFIs and the MFIs. Each of the participants had not only active roles in the Egyptian microfinance industry but were also personally and professionally connected with the CEOs of the MFIs that were interviewed in the following chapter. The IFIs that participated play two key roles in microfinance in Egypt: as direct wholesale funders of MFIs and in the strategic orientation of microfinance at a policy level both for government and for MFIs. They are the primary drivers of the narratives of microfinance which I argue work to maintain hegemony. By interviewing each of the IFI representatives, I sought to explore whether the narrative of entrepreneurship was viewed by the IFI representatives as an effective tool to create employment or whether they offered different perceptions in contrast to the narrative. The aim was to observe the role of narratives in the work of the IFIs as well as to determine whether the narratives at a policy level were hegemonic.

<u>The Underpinnings</u>

I argue that the IFIs promote the narratives of microfinance which attribute positive properties to debt and work to convince populations that the neoliberal market system is in their interest. Hegemony is the validation of a particular groups interest presented as the interests of the whole. This, I argue, is the process that the microfinance industry has undertaken in Egypt. The narratives use a rights-based language focused on either supporting entrepreneurs or financial inclusion to promote the provision of debt as being in the interests of the whole population, not just those that profit from the loans. In observing the industry in Egypt, I saw how the narratives promoted by the IFIs were also supported by the Government, NGOs, religious and social organisations, and the media. Through the narratives of microfinance, the IFIs promote poverty alleviation and inclusion, attempting to maintain hegemony and influence the *senso comune* of certain groups within the population. Whilst the IFIs promote poverty-reducing narratives, their wider actions in Egypt are based on the neoliberal structural reforms of the CPF. As I demonstrated in the literature review, neoliberal reforms often increase poverty and unemployment whilst being a catalyst for microfinance proliferation.

According to Robert Cox (1983), the IFIs are the "mechanisms of hegemony" working to universalise the views of the hegemon. Based on that assumption, the representatives that participated in this research are expected to endorse the narrative of the entrepreneur, as is publicly communicated by their organisation. Through my interviews, I sought to determine the extent to which those who work for the IFIs supported the narrative they present in Egypt. The aim with the tier one participants is to better understand the narratives as tools and to determine whether at a policy level the narratives are hegemonic.

As I was researching this thesis, the Egyptian Government, the IMF, and the World Bank were negotiating and implementing the CPF, a $12 billion loan with structural adjustment requirements. The loan carried a number of conditionalities, the most significant for my work being the rationalisation of the public sector. The Egyptian public sector has traditionally been a soak for unemployment and so its rationalisation would lead to a further increase in unemployment. The government, concerned about growing youth unrest and the prospects of another revolution, sought a solution to the problem of growing unemployment. The IFIs presented microfinance. This saw the IFIs in Egypt switch from their global narrative of financial inclusion to supporting the aims of the Egyptian Government through promoting entrepreneurial microfinance. The IFI representatives interviewed in this thesis are the drivers of the narrative change at a policy level, their perspectives of how entrepreneurial microfinance is understood by borrowers are critical in answering my research question.

To analyse the data, core codes were developed that focused on the key themes and were useful for answering the research question. Each code was built from the participants' responses to questions about the specific narratives of microfinance or the impact that it had on the borrowers. Using codes that responded directly to the research question allowed each to hold considerable explanatory power and generated a small but substantially strong set of codes that would work for the whole thesis. The codes respond specifically to the sub-questions, which are to be used to answer the core research question. Those questions are:

- Why do people engage with microfinance?
- What do those people believe they are participating in?

The codes developed help gain an understanding of what IFI representatives thought their work facilitated for the poor and why they felt their roles were important. The codes were defined as follows:

- Entrepreneurship – The narrative promoted by the IFIs globally until the mid-2000s, dropped from their literature and vocabulary but now actively promoted in Egypt. This thesis seeks to understand how IFI representatives present this change back to entrepreneurship lending despite their global rejection of the narrative. The analysis gives critical insight into the shaping of the narrative and how the representatives communicated that publicly. The IFIs predominantly maintained that they worked in microfinance to support Egypt's entrepreneurs in creating jobs.
- Poverty Alleviation – As part of promoting entrepreneurship, the IFIs have consistently stated that microfinance assisted in the alleviation of poverty. Under the IFI's global narrative of financial inclusion, poverty alleviation is no longer a stated aim, yet in Egypt it is still an integral part of entrepreneurial microfinance. How the IFI representatives navigated the topic of poverty alleviation in the face of their global narrative assisted in understanding what they perceived to be participating in; a key component of the research sub-questions.
- Financial Inclusion – Globally, each IFI that participated in this research promotes microfinance under the narrative of financial inclusion. This narrative states that providing the poor with sustainable financial services, with no mention of entrepreneurship, is the mission of microfinance. I argue that the IFIs in Egypt support financial inclusion through the back door, not publicly stating it but using the microfinance law to open the market to the private sector. In understanding from the research participants how they navigate

between the global and the Egyptian narrative gives insight into the extent that the narratives of microfinance are hegemonic at a policy level.

- Consumption – The idea of microfinance for the consumption of consumer products is a key determinant in understanding the hegemony of neoliberalism. The IFI respondents talked of consumption such as the purchase of electrical goods as a natural by-product of microfinance, more of an expectation than an exception. This code and how it was derived gives the clearest insight into perceptions of the IFIs, identifying that their development intervention is used as a pay day loan or as cheap consumer credit.

The core codes were complemented by a specific code generated from the interviews with the IFI representatives and used only in the analysis of their data. The code is directly related to the core codes and was developed as the respondents sought answers to the challenges presented by the history of the failure of entrepreneurial microfinance. The code demonstrated what could be described as a defence by the IFIs of their change in narrative from financial inclusion back to entrepreneurship. The non-core code was:

- Entrepreneurship Training - This code was developed due to the large focus and emphasis on non-financial services, notably training, which participants used in order to defend the narrative of entrepreneurship. Training was given a pronounced emphasis by the IFIs as the key difference between successful and unsuccessful entrepreneurial microfinance and was mounted as a defence of the narrative by the IFIs. The positioning of the argument from the IFIs presented microfinance as a solution that did not require an alternative.

Entrepreneurship

> We are not just flirting with aspirations that microfinance would help, it would support the growth of a region or a country (Interview Transcript - Subject 02, Paragraph 7).

The IFI representatives were direct and certain that microfinance was the solution for unemployment and growth in Egypt. The IFIs had reintroduced the narrative of entrepreneurship and were committed that it could solve the problem it set out to solve. The

IFI representatives each explained that their assigned roles in Egypt were to promote economic growth and stimulate the employment market. These two actions would in turn address the issues of poverty. The IFIs promoted the individualist ideas of entrepreneurial self-help as the solution to Egypt's problems, using the market to improve the wellbeing of the population. Collectively the responses replicated the old narrative of entrepreneurship (Yunus, 1999: 12), citing many of the attributes such as effectiveness in supporting innovation or small scale agriculture, something that has been questioned by the industry for some time (Duvendack et al., 2011). As I interviewed the IFI representatives, the evidence began to show that at a policy level, the narrative of entrepreneurship was hegemonic and collectively was present the IFI representative's *senso comune*. The representatives presented the logic of entrepreneurial microfinance, as it was presented 30 years before, not expecting me to make a challenge to that claim:

> Microfinance in Egypt is a very strategic focus area. Firstly, given the level of poverty we have in Egypt, microfinance has a role in creating economic activity, promoting different sectors, or market segments. Microfinance players [MFIs] are guaranteeing the future of very small and small enterprises for the market (Interview Transcript – Subject 12, Paragraph 15).

> The decision was taken 3 years ago to focus on growth in employment, given the large-scale unemployment issues in Egypt (Interview Transcript – Subject 16, Paragraph 23).

> Microfinance is a good tool to support entrepreneurship, both green fielding or those that have ideas but are lagging behind because they need some sort of technical support (Interview Transcript - Subject 02, Paragraph 33).

> Here in Egypt, we look at, in the majority of cases, not all, we look at supporting entrepreneurs, helping entrepreneurs grow their business (Interview Transcript – Subject 18, Paragraph 7).

The IFI representatives confirmed that their motivation to promote entrepreneurial microfinance in Egypt was the government's strategy to combat poverty and unemployment.

The IFIs had collaborated with the Egyptian Government in creating its development strategy, a strategy that focused on globalised free market drivers, fiscal containment, and employment generation through entrepreneurship. The government's strategy (2014) was supported by a number of significant law changes (FRA, 2014), and was to be financed by the US$12 billion CPF (WBG, 2015). The IFIs maintained that despite the past performance of microfinance in both poverty alleviation and promoting economic growth, that in this context it was the policy that would increase employment and create economic growth. Whilst the narrative of entrepreneurship is currently promoted, evidence from the interviews indicated that the narratives of microfinance were interchangeable. In talking of the past, one representative explained their refocusing of microfinance, showing that at a policy level, narratives can position microfinance to achieve different outcomes instantly. At the point of implementation, the function of microfinance designated by the narrative was irrelevant. The lending required no change in process, the refocus was only at a policy level.

> Historically we did a lot in poverty alleviation lending, consumer lending, but in the refocus, the aim became to increase employment and economic growth (Interview Transcript – Subject 16, Paragraph 23).

The IFIs shared their strong relationship with the Government of Egypt. They explained that globally they worked directly with governments to define each country's microfinance strategy. The IFI representatives used the word strategy throughout the interviews as I use the term narrative. Their description of strategy was the operationalisation of the narratives. The IFIs were able to change between financial inclusion and an entrepreneurial strategy by refocusing the language. The loans, however, were the same, delivered in the same way by the same MFIs to the same clients. The ability to change the narrative allowed the Egyptian Government and the IFIs to present a solution to the growing unemployment that was already well-embedded across the country. In the interviews, the IFI representatives explained that the Egyptian Government were concerned about the potential for a further revolution and needed to pacify a growing number of youths who were unemployed.

> We work with the partner governments and tailor our services to be as closely aligned as possible to their own growth strategy. So, we don't have a 'model' in the sense that

> we apply all aspects of our services to all countries in which we work (Interview Transcript – Subject 18, Paragraph 8 - 9).

The narrative of entrepreneurship unified the Government of Egypt and the IFIs strategies for Egypt. The policy decision to switch to the entrepreneurial narrative was transacted through the network of NGOs, MFIs, as well as universities and other organisations all of whom switched their lending rationale. The IFIs worked directly with the MFIs and others, advising them on bringing the new narrative of entrepreneurship to the market. The promotion of the narrative reflects directly the thoughts of Cox (1983), defining the IFIs as the mechanisms of hegemony.

> NGOs, MFIs, companies, universities, work with microenterprises, help in their cash flows, their payments and expanding their opportunities within the market they are operating in (Interview Transcript – Subject 12, Paragraph 27).

> We don't lend directly you understand, we partner with institutions like ****** and ******, we act as an advisory body for them and others (Interview Transcript – Subject 18, Paragraph 7).

The evidence provided by the IFI representatives demonstrated the narrative of entrepreneurship was hegemonic at a policy level and they were not expecting it to be challenged. The representatives articulated the outcomes and explained how it was part of the government's strategy while at the same time publishing documents stating that as a tool for entrepreneurial development microfinance is not effective (WBG, 2017). The 2017 World Bank report was not the only piece of research the IFIs produced dismissing the ability of microfinance to stimulate economic growth and address poverty (CGAP, 2012; WBG, 2014). In the past, the IFIs have abandoned the narrative of entrepreneurship and promote financial inclusion based on the findings of their own research. Yet the representatives in Egypt promoted the narrative of entrepreneurship as if it had not been discredited and as if I should not question it. I argue, based on my interviews with the IFI representatives, that I observed the process of promoting narratives to maintain hegemony.

The IFIs took a leading role in the creation of the Egyptian Government's sustainable development plan (2014). The plan was drawn up post-revolution, against a backdrop of serious government distrust, growing unemployment, rising inflation, and increasing poverty. One IFI representative explained that the government, through the IFIs, sought a response to youth unemployment, seen as a key driver to the 2011 revolution. The government and the IFIs reintroduced the narrative of the entrepreneur and promoted it widely through the network of civil society actors. The aim was to demonstrate to the population that the government was listening and taking action on unemployment. The IFIs proposed microfinance to support the government's plan and the narrative was promoted to convince the population that self-employment was a solution to unemployment. The role of narratives as a tool was indicated when one particular IFI representative stated that the narrative was designed to convince the youth that a viable option was entrepreneurship rather than it being an unlikely way out of poverty.

> Microfinance and entrepreneurship training are their [Government of Egypt] strategies for growth. They want to employ the youth, but seeing as there are not many jobs, **they want them to think of their own business as an option** (Interview Transcript – Subject 16, Paragraph 33) (Emphasis added).

To maintain the narrative and promote the efficacy of entrepreneurial microfinance, one representative focused the discussion on the potential of microfinance to support innovation and larger enterprises. The associations they made were similar to those made at the outset of the entrepreneurial narrative (Aremu and Adeyemi, 2011), hiding the realities of $100 unproductive survivalist microenterprises within the data of the SME sector. The IFIs and the Egyptian Government use the rhetoric of the SME sector as an engine of growth while offering microenterprise and microfinance as the method of achieving that growth. Microenterprises, however, the type supported by microfinance, are acknowledged as at best a survival methodology for those that run them. Despite the evidence from their own organisations, the representative continued to claim that microfinance can support production and contribute to GDP growth.

> Sure, microfinance now is mostly going to petty trading or services, but we say it should be balanced, more balanced with supporting production, to contribute to the GDP. Improving production, improving innovation. This is a challenge for Egypt now, a challenge to the country to go back and build production again (Interview Transcript - Subject 02, Paragraph 38 - 41).

Whilst the narrative of entrepreneurship appeared hegemonic at a policy level, one respondent's statements indicated that there were gaps in its hegemony. They indicated that there was an anomaly with the idea that microenterprises and SMEs were comparable. The representative suggested that the narrative their organisation promotes does not reflect the reality they saw.

> I think there is a mix up between the notion of the micro and the SME sector in the government's plan. The SME sector, and a really small proportion of the micro sector, are potentially innovative and could provide growth in employment, but the majority of the micro sector, which by the way is the majority of enterprises, are small family, home-based trading entities with little chance of significant growth. Those microenterprises that are truly innovative, what are they going to do with 1000 L.E (US$62)? (Interview Transcript – Subject 18, Paragraph 10).

Whilst not all of the IFI representatives felt the narrative was reflective of the reality, there is evidence that the narrative promoted by the IFIs has begun to have an impact on the wider Egyptian population (GEM, 2018). Over the last five years, Egyptians have developed a higher than the global average entrepreneurial intention rate, 60% in Egypt to a global average of 23%. The Egyptians have also developed a higher than global average percentage of the population who think entrepreneurship is a good career choice (72% to 60%,). On average, a higher status is given to entrepreneurs in Egypt than elsewhere in the globe (82% to 60%). These statistics demonstrate that the efforts of the IFIs and the Egyptian Government in promoting entrepreneurship through universities, schools, MFIs, and even mosques have increased the entrepreneurial intention rate from 25% in 2010 to 60% in 2018. Over that period, the microfinance industry has promoted the narrative of the entrepreneur, cleverly interwoven with images of the 'innovators' of Egypt such as Mohamed Ali Pasha and the entrepreneurial economist Talaat Harb, defining the idea of "the Egyptian entrepreneur". The media, universities, NGOs and others have perpetuated the idea that the youth of Egypt are poised for an entrepreneurial revolution (Saeed and Wasfy, 2015). The promotion of the idea of the Egyptian entrepreneur is an attempt to influence the Egyptian collective *senso comune*.

> We work through universities, we provide training to graduates and undergraduates in financial literacy, financial management, entrepreneurship and aspects of laws and regulations. Again, we don't do this directly, we go through our partners, we are the technical partner. These are also partnered with MFIs designed to provide the funding for the start-ups (Interview Transcript – Subject 18, Paragraph 17).

Using Gramsci's conception, I argue that the IFIs have promoted the narrative through civil society who in turn have projected the narrative onto the population to convince them that entrepreneurship and microfinance is a viable route to employment. Evidence from the interviews demonstrates that the promotion of the narrative occurred because the Egyptian Government had run out of viable options to address the employment issue. The IFIs had historic experience in using microfinance and the entrepreneurial narrative across the world and the Egyptian Government needed something that could convince the youth action was being taken. The government, mindful of the role the youth played in the 2011 and 2013 revolutions, needed to demonstrate they were acting to control growing youth unemployment. The IFIs understood that microfinance and the entrepreneurial narrative had a proven track record of curtailing collective action and occupying the large groups of the unemployed (Bateman, 2010b). The IFIs confirmed that the key to the policy was to create a situation where the youth thought they had an opportunity, working to shape *senso comune* rather than effect the reality on the ground.

> The focus on unemployment and microfinance is magnified here in Egypt, I think largely due to the limited availability of alternative ideas (Interview Transcript – Subject 18, Paragraph 32 - 33).

> Youth unemployment is a key focus of the government these days, you can look at the actions of the social fund, renewed focus on graduates, youth, the next generation.

> You know the government are aware of the role the youth had in 2011 and 2013 [revolutions], they don't want another situation **where the youth feel there are no opportunities** (Interview Transcript – Subject 18, Paragraph 19) (Emphasis added).

The responses from the IFI representatives in the first stage of the interviews demonstrated that at a policy level, the narrative of entrepreneurship was hegemonic. The interviews also demonstrated that the representatives understood the narratives are designed to convince the population into believing that action is being taken to address the issues facing them. Their responses included terms of the youth "thinking" and "feeling" rather than stating that they were presented with a real opportunity. In interviewing the IFI representatives I understood how Cox's (1983) explanation of the mechanisms of hegemony worked. The IFIs, through universities, schools, media, and NGOs promoted a narrative created to convince the population that the solution to their problems is an individualistic endeavour funded by microfinance.

<u>Entrepreneurship Training</u>

In the next stage of the interviews, I discussed the reports that the IFIs had published challenging the impact of entrepreneurial microfinance. Certain IFI representatives argued that entrepreneurship training was their way to differentiate between the previous implementation of entrepreneurial microfinance and the current programmes. Training was now presented as the difference between microfinance as a debt trap and a success story. Entrepreneurship training was said to be key to the success of entrepreneurial microfinance, yet my interviews with MFI CEOs indicated it was little more than a revenue stream provided in the wake of the 2014 microfinance law. The IFIs sold training packages to the NGO MFIs to train their staff to sell and deliver entrepreneurship training to borrowers. I argue that training is an opportunity for the narrative to be reinforced, not as a tool to improve microenterprise performance (Karlan, 2014).

> It is important to work with the local institutions, those that are giving the loans, they are the ones who are placed to cultivate these skills, this business thinking. We provide them with advice and training (Interview Transcript - Subject 02, Paragraph 13).

> We work to build the MFIs capacity, so MFIs build services to help microenterprises grow, training allows us to impact borrowers more widely (Interview Transcript – Subject 16, Paragraph 23).

> If you don't have a level playing field [trained entrepreneurs], then microfinance would be a debt trap (Interview Transcript - Subject 02, Paragraph 11).

> The success of microfinance is when there is linking between financial and non-financial services (Interview Transcript - Subject 02, Paragraph 23).

> We are working on entrepreneurship, if you consider entrepreneurs as micro, they establish small start-ups, trading start-ups, with a small amount of money. We work with our MFI partners who are doing the lending at this level and provide capacity for training entrepreneurial skills to those borrowers. **We have seen that this is the difference between success of a business or failure** (Interview Transcript – Subject 16, Paragraph 17) (Emphasis added).

I argue that the IFIs promote training at a policy level as a tool to defend the reintroduced narrative of entrepreneurship in Egypt. Entrepreneurship training had however long been associated with microfinance and was conclusively disproven by the IFI supported, pro-financial inclusion scholar Dean Karlan (2014). I presented Karlan's report to one specific IFI representative who concluded that in the past, the training was not done correctly, hence its failure. Now in Egypt however, this had been corrected.

> [Training programmes] very crucially they are often neglected, and this is the problem we see with microfinance impact. Even if they are done, if done, they are not done comprehensively and that is why there is a problem with the success of microfinance and microenterprises (Interview Transcript - Subject 02, Paragraph 17).

The IFIs responses were comparable to the continual consumption of counter narratives by the hegemon (Cox, 1981). By endorsing training, the IFIs continue to promote the narrative of entrepreneurship, deflecting challenges levied against microfinance as a tool to generate employment. I argue that training not only was used as a defence to cover the previously discredited narrative of entrepreneurship but as a method for the IFIs to integrate closely with the MFIs and promote the narrative more widely.

<u>**Financial Inclusion**</u>

> There are countries in which we work in a broader financial inclusion capacity, Egypt isn't one of them for a critical reason, but we are involved in financial inclusion globally (Interview Transcript – Subject 18, Paragraph 8 - 9).

In my interviews with IFI representatives, a unified narrative of entrepreneurship was championed to meet the needs of the Egyptian Government. However, I argue that the narrative is designed to persuade the Egyptian youth into believing that entrepreneurship is their ticket to employment rather than to provide true employment opportunities. A narrative is a tool for shaping *senso comune* while the IFIs and the Egyptian Government undertake a new round of structural adjustments under the CPF. The evidence from the IFIs presented continued and consistent assurance that the entrepreneurial narrative this time was different. Whilst the majority of the representatives held this narrative throughout, one representative shared a varying opinion that broke from the entrepreneurial narrative and the position of their organisation in Egypt. The representative confirmed that they had introduced the narrative to occupy the youth rather than employ, and that they felt it had only limited scope.

> Sure, I know from my own experience, they want jobs, they trained in particular fields to work in that field, and then **they are told by us this is their chance, it is a difficult sell. It is just the government's view on how to occupy and satisfy the Youth, in my opinion I think it is a challenge** (Interview Transcript – Subject 18, Paragraph 21).

In discussing the realities of microfinance as they viewed it, it was explained that within the NGO MFIs they directly work with, there was little chance that the loans were used for enterprise purposes. The constraints of poverty meant that loans were spent on a wide range of things, especially consumption. The narrative was presented to meet the requirements of the government, an intervention that promoted employment. The narrative worked to promote ideas to the youth that they had a chance to start a successful business. The reality was that consumption lending continued in the same way it had prior to the reintroduction of the entrepreneurial narrative. The reality they presented was reflective of my experiences of working in microfinance. Loans were used by the poor to consume.

> I think it is no secret that loans are used for all sorts of things, it is the same everywhere, more so in low-income environments where there are **serious income constraints** (Interview Transcript – Subject 18, Paragraph 28 - 29).

> The majority of borrowers use their loans for multiple expenses, low down on the list, possible buying something to sell on but in reality, not actually productive (Interview Transcript – Subject 18, Paragraph 35).

The IFI representative continued to present evidence against the narrative of entrepreneurship, demonstrating that it was not totally hegemonic at a policy level as I initially had observed. They explained that large populations remote from Cairo were struggling with a lack of investment and a serious decline in tourism since 2011. Upper Egypt was at the forefront of the government's efforts in promoting entrepreneurship through the social funds group lending portfolios, an attempt to boost employment. Speaking hypothetically, the representative made the assumption that the loans were actually used for entrepreneurship and used their understanding of the market to immediately discredit the narrative.

> If I take the average client of the group lending programmes in Upper Egypt**, if they were to spend the money on running a business**, given average failure rates etc. we would be looking at a minute number of start-ups that would be successful and that is unlikely to address a growing populations employment needs (Interview Transcript – Subject 18, Paragraph 35) (Emphasis added).

Statistical evidence on start-up failure rates discredits the narrative, demonstrating that microfinance is unable to have an impact on employment. Even through the comprehensive training packages that the IFIs were offering to the MFIs, entrepreneurial microfinance was demonstrated to be nothing more than a misdirection using clever associations to paint a false picture of reality. The same representative challenged a peer at another IFI who stated that training was the key for effective microenterprises (Subject 16, Paragraph 17), discrediting his peer as well as the narrative of the organisation they worked for.

> I don't know, I think we are talking about two different things in reality. If someone wants to start a business, has a skill, whatever, but isn't trained in aspects of commercial life, maybe that person who already has the desire can change. I think what is confused here, is that I would expect, certainly at the 1000 LE (US$62) end of the microfinance market, these people have no choice but to borrow, for whatever reason, and that is likely to make them different in the receipt of training. He [referring to the IFI representative who referred him to me to interview] might be right in that statement, but I don't believe that applies to the majority of microfinance clients here in Egypt (Interview Transcript – Subject 18, Paragraph 30 - 31).

The evidence from this particular representative demonstrated that the entrepreneurial narrative was used to address the problems faced by the government but the implementation on the ground had not changed. I argue this shows the narratives of microfinance as a tool for political means, the narratives fit the strategy but the activities on the ground do not need to change. The representative's responses were not critical of microfinance, microfinance was a useful tool for borrowers, they were just open about the realities of the impact.

> Prior to 2014 our focus here was poverty lending, which I know is often talked about as development, but it is about survival. Those people who are hanging on, eking out a life doing whatever they can, now of course we say it is enterprise development, but the practice hasn't changed. I think more importantly at that level ($100), which is the majority of microfinance in Egypt, it is about making do. The law changes the language, but the reality is the same (Interview Transcript – Subject 18, Paragraph 35-37).

According to the representative, the real solution to jobs in Egypt was the investment by the government and a proper industrial strategy that builds from medium and large enterprises. The focus on microenterprises as an engine for job creation was explained by the IFI representative as a confusion made by the Egyptian Government. Yet the IFI developed strategic development plan (GovOfEgypt, 2014) demonstrates that microenterprises inclusion is by design not by accident. I argue the inclusion was to ensure that the Government had a tool to stratify the youth and the IFIs had a method of supporting the microfinance industry. When development strategies focus on microfinance and microenterprise, productive finance for the SME sector is channelled to the unproductive microfinance sector due to higher capital returns (Bateman, 2010b). In the long term, this has a negative effect on economic growth and employment, as productive firms struggle to gain financing. Furthermore, returns on the capital investments made in microfinance are often channelled abroad due to the MFI investment strategies championed by the IFIs. A strategy focused on microfinance, therefore, is detrimental to the long-term health of the SME sector and the economy (Bateman, 2010b; IDB, 2010; Mader, 2015).

> There is confusion, in the government, of how to support or to help with the issue of unemployment. There are different ways to do that, at the same time. First of all, you have to encourage large and medium sized companies, who grow, invest, develop. They create linkages with smaller enterprises feeding industries. You cannot work without the large and medium sized enterprises. I think microfinance can only ever have a limited impact on employment generation. By limited I mean limited to the fact that existing firms in the smaller parts of the real MSME sector could possibly utilise the access to finance and employ someone, but other than that no. Really that sector, let’s say the SME sector, needs proper commercial financing or even investment capital, at the higher end, to have any chance of effective growth (Interview Transcript – Subject 18, Paragraph 39).

The evidence demonstrated that the government’s sustainable development plan supported by the IFIs was unable to deliver on its promises. The narrative of entrepreneurship is promoted by the IFIs and the government because it is compelling at a policy level and appears to demonstrate quick results. The ideas of a long-term sustainable development plan built on state investment and an industrial strategy fail to create an urgent and compelling narrative for a cash strapped government or for a restless, unemployed youth population. This evidence demonstrates that the narrative of entrepreneurship in Egypt plays a political role and that role is possible because the narrative is hegemonic at a policy level.

From my interviews, it was clear that in Egypt entrepreneurial microfinance was hegemonic. However, globally, the IFIs focus their attention on financial inclusion. Financial inclusion was the narrative the IFIs promoted in Egypt until 2014 when the microfinance law was introduced and changed the focus away from financial inclusion and onto the positive notions of entrepreneurship. Whilst the IFIs have focused attention on entrepreneurship, they have worked to create a market in Egypt for financial inclusion. The market for financial inclusion is outside the control of the NGOs and in the hands of private and foreign capital. This was made possible by the wider stipulations of the CPF. The evidence given by the IFI representatives demonstrated that the entrepreneurial narratives served to distract from the wider private expansion of the microfinance industry. The interviews with the IFI representatives focused on the entrepreneurial narrative and they explained that in Egypt they did not pursue financial inclusion. However, in reading the 2014 microfinance law, which opened the Egyptian market to financial inclusion via foreign private MFIs, each of the IFIs played a role in its foundation. In interviewing the CEOs of MFIs, I further discovered that the IFIs I had interviewed were heavily involved in wholesale funding for international commercial MFIs in Egypt, something they did not mention in my interviews.

> I mentioned earlier why we focused on enterprise lending here, well I think it is no secret, it is because the NGOs have little choice. The law (2014) concentrated on the provision of commercial financial services from NGOs, so all of the existing NGOs, some of whom were providing consumer loans, housing loans, education loans, health loans all had to stop those lending activities and focus on enterprise. New entrants, like Tanmeyah, they can operate consumer finance divisions, but any NGO formed prior to the 2014 law [over 90% of current Egyptian MFIs], enterprise lending only (Interview Transcript – Subject 18, Paragraph 27).

The IFIs were actively working to present the narrative of entrepreneurship as the only one they were engaged in Egypt. The IFIs had influenced the microfinance law and the sustainable development plan since they were also party to the CPF. The IFI representatives presented the narrative of entrepreneurship throughout our interviews as if it were the sole purpose of their work in microfinance in Egypt. However, in one particular interview, it became clear that the IFIs' broader agendas were deep within the laws and frameworks they had influenced (Harrison, 2004). They had created a position where they supported the government in their aims as well as operating as wholesale funders for commercial gain (CGAP, 2019a).

> We need to be able to work with that [private] sector, with these microfinance companies and NGOs, to try to get them to focus on finance for the very small enterprises across Egypt and then push them towards, to meet the needs, along with other financial intermediaries, to cover the entire spectrum, financial inclusion (Interview Transcript – Subject 12, Paragraph 15).

It was explained to me in the interviews that the microfinance law allowed for different organisations to perform different functions within the microfinance space. This was shown as unproblematic for the IFIs, despite them identifying that the process of lending for entrepreneurial microfinance and financial inclusion are broadly identical. There were effectively two parallel narratives of microfinance present in Egypt. One was hegemonic at a policy level and supported the government's actions. The second, more hidden narrative served to cover up the expansion of commercial microfinance and the financialisation of poverty.

> A big push on loans without a focus on jobs, wouldn't have worked here for the government (Interview Transcript – Subject 18, Paragraph 37).

I argue that the IFIs have relied upon the hegemonic narrative of entrepreneurship to open the Egyptian microfinance market to private and foreign capital through the back door. Using the microfinance law, the IFIs positioned the NGOs to support entrepreneurship at the request of the Egyptian Government whilst private capital was able to take on the significantly larger market of financial inclusion. In my interviews with loan officers and borrowers, I was shown that with the law came small changes in paperwork for NGOs and their clients but the loans did not change. Borrowers that borrowed for consumption were asked to sign paperwork that their loans were for enterprise purposes despite them being for consumption. These borrowers indicated that they were now looking to move from the NGO MFI to a commercial provider as they felt uneasy about falsely signing the paperwork to take a loan. The CEOs of NGO MFIs explained that they had been left with the poorer borrowers who the commercial MFIs had no interest in servicing. The microfinance law not only switched the narrative back to entrepreneurship, but it also channelled the most profitable clients into the market of the commercial MFIs. The IFIs understood that the real value lay in the low-income employed segment, a market they had provided to commercial MFIs. It was stated that the best thing for jobs in Egypt was traditional industrial development. Industrial development, skilled work and proper jobs did not have to be to the detriment of the MFIs.

> In providing loans to those people, they gain access to things they perhaps never had, health care, education, water, sanitation, all these things, but those people need incomes to pay it back. If you are looking from a growth perspective, low-income clients with jobs, that can service debt for housing, for health, for education, **that is your key market** (Interview Transcript – Subject 18, Paragraph 37) (Emphasis added).

> I know it is probably outdated, but proper industrial type development, skilled work with regular wages, government jobs. **This is the only way I can see real improvement here, and it doesn't have to be to the detriment of MFIs.** You know Tanmeyah as a company can provide consumer loans to people (Interview Transcript – Subject 18, Paragraph 39) (Emphasis added).

Conclusion - The Narratives of Microfinance and the IFIs

From the evidence collected in my interviews, I argue that the IFIs promote the narrative of entrepreneurship in Egypt to align microfinance with the development plan of the government. The promotion of the narrative maintained the hegemony of microfinance at a policy level. The terms of the entrepreneurial narrative were present in the *senso comune* of the IFI representatives, who explained it in detail and assured that it was capable of providing jobs for the unemployed youth. The narrative appeared more widely hegemonic and the government's efforts to convince the general public of the merits of entrepreneurship showed that the population on average is moving in favour of entrepreneurship as an option for employment (GEM, 2018). The narratives provide a tool to affect the *senso comune* of the Egyptian youth, presenting microfinance as a solution to their unemployment. I argue the narratives allow for the government to cut public sector jobs and further privatise the health and education sector. Using Cox's definition of the five functions of mechanisms of hegemony (1983), I contend that the IFIs fulfil that role in Egypt. They have worked with the Government to promote the narrative as a norm held by the Egyptian people, maintaining the hegemony of microfinance.

IFI representatives demonstrated how they promoted the narrative of entrepreneurial microfinance in Egypt to support the strategic plan of the government. When I challenged the efficacy of entrepreneurial microfinance, the respondents explained that they had developed training programmes to ensure that the failures of the past were not repeated. Their responses were an act of the hegemon deflecting the counter-hegemonic narrative. There was clear evidence that entrepreneurship training for microenterprises, like the entrepreneurial narrative, is discredited (Karlan, 2014). Despite the challenges I presented to the representatives, the majority of them maintained that entrepreneurial microfinance had a key role to play in the development of Egypt.

Data from one specific IFI representative demonstrated that the narrative of entrepreneurship has allowed both the Egyptian Government and the IFIs to enact changes that negatively impact the Egyptian people. Using the positive associations of entrepreneurship, the post-revolution Egyptian Government needed a tool to occupy the youth while they continued the neoliberalisation of the Egyptian state through the CPF. In my interviews, IFI representatives referred to creating 'perceptions' and 'thoughts' amongst the youth, distracting them from the CPF that was privatising their key services and creating further unemployment. One specific IFI representative understood the power of the narrative in altering the *senso comune* of a population and explained that the narrative was a tool to change perceptions.

Whilst the IFIs demonstrated that they supported the narrative of entrepreneurship publicly, as my interviews went on they indicated that they had larger intentions to promote financial inclusion. The IFIs constructed the 2014 law to promote the entrepreneurial narrative yet through the law they opened the market for commercial private sector MFIs. Throughout the interviews, the representatives worked to hide their association with financial inclusion in Egypt, yet the IFIs are the largest wholesale funders to the commercial microfinance sector (EBRD, 2017; 2019). Loans to commercial MFIs yield a significantly higher rate of return than those to the NGO MFIs, making the microfinance law highly profitable for the IFIs, something they did not discuss.

Through the evidence in this chapter, I argue that the IFIs rely on the narrative of entrepreneurship to maintain the hegemony of microfinance, to privatise the microfinance sector, and to financialise poverty (Harrison, 2004). The narrative is presented as a chance for the Egyptian population to escape unemployment, working to support the Government who are fearful of further revolutions. The narrative has been presented as the main aim for microfinance in Egypt yet financial inclusion through the private sector has been facilitated by the IFI's actions. The process of promoting narratives has worked to distract the attention from the privatisation of microfinance and the financialisation of poverty.

In the following chapters, I will explore more deeply how the entrepreneurial narrative reaches others within the microfinance industry, to better understand whether the hegemony of microfinance is maintained by narratives. If the narrative is hegemonic at a policy level, disconnected from the affected populations, then in interviewing the other tiers, I aim to determine whether hegemony has penetrated more deeply. CEOs of MFIs are the next tier of interviewees. Their perceptions bring depth to the argument of hegemony at a policy level as many of them are connected to the IFIs and their representatives.

Chapter 6 - The Market Makers – Perceptions from the CEOS of Egyptian Microfinance Institutions

Introduction

The evidence from the IFI representative interviews confirms that the entrepreneurial narrative is promoted by the IFIs to create the impression that entrepreneurship is a solution to unemployment and poverty. Through the lens of Gramsci, I argue that the promotion of the narrative is to maintain the hegemony of microfinance while forwarding the financialisation of poverty. Like the IFIs, the MFIs are considered mechanisms of hegemony (Cox, 1983). They form part of civil society and therefore work to maintain the position of the hegemon. Within this chapter I develop the argument of the microfinance industry's reliance on narratives further, exploring how MFIs position their lending activities. The entrepreneurial narrative acts as a shield to cover the privatisation of public services and further government cuts. The MFIs promote the narrative of entrepreneurship in order to comply with the microfinance laws as well as to maintain their position as a key development policy provider. To support my argument, five MFI CEOs were interviewed, each sharing their views and perceptions of the role of microfinance in Egypt. Four are from NGOs and one from a large commercial MFI. In interviewing the CEOs, I sought to determine how the MFIs relate to the narrative of entrepreneurship promoted by the Government of Egypt and the IFIs.

All MFIs in Egypt in the late 1990s promoted the entrepreneurial narrative. By the mid-2000s they switched to financial inclusion. In 2014, when the law mandated a new change, the NGO MFIs were forced to switch back to the entrepreneurial narrative they once promoted. The MFIs have experienced the realities of the entrepreneurial narrative and moved away from it because their clients demanded consumer lending. Using the Gramscian theoretical framework I sought to investigate the roles narratives played for MFIs and how they publicly project a narrative which they have once rejected. With this chapter, I aim to further answer the question of the role of narratives in maintaining the hegemony of microfinance in Egypt through the perceptions of those that both receive and transmit the narratives.

The Participants

Throughout this thesis, these participants have been referred to as tier two. The institutions they represent are considered among the largest and most influential of the MFIs in Egypt. Four of them were NGOs and one was a commercial MFI formed after the 2008 microfinance law. Each of them had deep connections with one or more IFI, either being founded by one, continually supported or having significant amounts of wholesale funding provided. The representatives were all CEOs and all were Egyptian nationals based in Cairo or Alexandria.

The NGOs promote the entrepreneurial narrative of microfinance. They lend directly to entrepreneurs as well as provide entrepreneurship and business skills training. Their ability to lend only to entrepreneurs is dictated by the microfinance law of 2014. Throughout the interviews, the NGO CEOs implied strongly that their loans were a social good as opposed to those of the commercial MFIs, whose loans were considered bad. Therefore, for categorisation, the CEOs of NGOs have been termed 'the good' in this chapter. The commercial MFI by the same 2014 law is able to offer a full suite of loans to clients for enterprise and consumption and practice financial inclusion. Following the fact that the NGO CEOs cast commercial MFIs as bad, the interview with the commercial MFI CEO is labelled 'the bad'. These do not describe moral judgements I have made but are a simple reflection of the language used by the participants and the role that plays in assigning narratives to loans.

The CEOs of MFIs, both NGO and commercial were of interest in my research because both play a key role in promoting the narratives of the microfinance industry. The IFIs communicate predominantly at a policy level but the MFIs hold a different position, where policy and practice are connected. The CEOs perceptions were of particular interest because they hold positions that connect the global with the local. They share international platforms with the IFIs as well as speak directly to borrowers through their loan officers. The MFIs form part of Gramsci's superstructure and therefore they promote narratives to maintain the hegemony of microfinance. The CEO responses allow for an understanding of how those narratives work to maintain that hegemony.

The Underpinnings

According to the 2014 Microfinance Law, NGO MFIs in Egypt are only allowed to lend for enterprise purposes and therefore promote the narrative of entrepreneurship. Whilst the same law allows for commercial MFIs to practice financial inclusion, in Egypt the commercial MFI that participated in this thesis promoted the same narrative as the NGOs. Public statements from Egyptian MFI websites claim their aims are to: "Provide poor and low-income entrepreneurs especially women with sustainable access to quality microfinance services to build their businesses, eliminate poverty in Egypt and improve the quality of life of our clients". The MFIs now promote a narrative they previously had rejected. I argue that this demonstrates the role of narratives in maintaining the hegemony of microfinance rather than their belief it is a tool for entrepreneurs.

The interviews with the IFI representatives provided evidence that the narrative of entrepreneurship works to address the government's concerns of a future revolution by attempting to convince the youth that entrepreneurship is their route to employment. Evidence from the MFIs public communications demonstrates that they further promote this narrative in support of the Government and the IFIs. The 2014 law meant that NGO MFI have lost, at least legally, a significant portion of their business to the commercial MFIs. The commercial MFI CEO confirmed they chose entrepreneurship as their publicly promoted narrative despite being able to offer other types of loans. Whether entrepreneurial microfinance supports entrepreneurship or consumption, the MFIs push the same entrepreneurial narrative in Egypt that is hegemonic at a policy level.

The perceptions of MFI CEOs interviewed in this chapter provide insight into the implementation of microfinance and how narratives interact with delivery. From the IFI interviews, it was understood that narrative changes can signal big shifts in policy but little change in reality. The MFI CEOs provide insight into that reality. The data from this chapter contributed to the broader research question of the role of narratives in maintaining the hegemony of microfinance in Egypt. The core codes developed for this research applied to the MFI CEOs as they did to the IFIs. I assigned specific attributes to the codes based on the data derived from the CEO interviews, which allowed for focus on the research question through the responses:

- Entrepreneurship – The narrative promoted through the government, the IFIs and projected onto the MFIs. This thesis seeks to understand how the narrative, which has failed once, is delivered to the population of Egypt and what effect the CEOs think it has on their borrowers. Is the entrepreneurial narrative hegemonic to the extent it can overlay reality and affect *senso comune*?
- Poverty Alleviation – Complementing the entrepreneur narrative yet counter to the current literature which criticises it. This code is designed to provide an understanding of the extent to which the CEOs will promote the claims of the entrepreneurial narrative which they have enforced upon them. Understanding the extent that CEOs are willing to promote the narrative of the entrepreneur helps determine how, or if, hegemony can mould opinions.
- Financial Inclusion – This is the imperative of all the MFIs that participated pre-2014, and is still legally possible for the MFIs that are not NGOs. I argue that financial inclusion is the true purpose of the microfinance industry. The opening up of microfinance from entrepreneurs to everyone else enabled exponential sustainable growth for MFIs. The CEOs' opinions of this aim, as well as the law that now governs, will help determine the objective of the microfinance industry as well as understand the role of narratives in covering those objectives.
- Consumption – This refers to the consumption of consumer products, health care and education, a logical outcome from financial inclusion but often obscured by the rights-based language used to promote it. Financial inclusion's connection to neoliberalism determines that debt for consumption is part of the goal of the narrative. The CEOs' perceptions of this will define whether financial inclusion microfinance really has a social aim or whether the narrative sells a social aim to conceal the financialisation of poverty.

The core codes allowed me to focus on the research sub-questions of understanding what people in the industry felt they were participating in and why those people engage with microfinance. The core codes collectively contribute to the understanding of the role of narratives in the maintenance of the hegemony of microfinance. During the interviews with the CEOs, further codes were generated, allowing a deeper dive into the responses given. The method of deriving the codes was still deductive, using the original codes as a reference but drawing in new unique codes for the CEOs. The non-core codes were:

- Training – The MFIs are connected to the IFIs and offer the training packages sold by them. The narrative of entrepreneurship is passed directly from the IFIs through the MFIs and then, using their loan officers as trainers, to the borrowers. The mechanism is the direct transfer of the narrative from the global to the local. The CEOs responses as to the reasons for and outcomes of the training can explain how successful they perceive the narrative of entrepreneurship is in working to maintain hegemony.
- Profitability and Transformation – The CEOs were all focused on the profitability of their MFI, NGO or commercial. The law had impacted the NGO MFIs ability to remain profitable, so they were seeking new income streams such as training to replace the loans lost to the commercial providers. The NGOs were investing in a change to become private corporations but for political reasons, they chose not to change their legal status. The exploration of the subject of transformation uncovered the political power wielded by NGO MFIs which embedded them into civil society.

<u>The Good – Perceptions of 4 CEOs from NGO MFIs</u>

<u>Entrepreneurship and Poverty Alleviation</u>

> There is a very important role that microfinance is playing. These days you are not going to create jobs for everybody, entrepreneurship is going to remain the only way a large segment can earn a living (Interview Transcript - Subject 11, Paragraph 69 - 70).

In the same way, the IFI representatives first responded, the CEOs asserted the importance of microfinance for the entrepreneurs of Egypt despite only recently changing back to promoting the idea. They confirmed that they saw microfinance as a key tool in creating jobs for the unemployed and alleviating poverty. The NGO MFIs had an average loan size of 1000

L.E (US$62) and their loan officers had portfolios of 300 to 350 clients each. The IFI representatives, as well as evidence from the literature, indicated that loans of that size are unlikely to be productive microfinance loans (Bateman, 2010b; Bateman and Maclean, 2017). The law had mandated that the NGOs lent for enterprise only, yet even in the early part of the interview the CEOs indicated they were aware of varied loan uses amongst their clients.

> As I said, some people will take advantage of that and grow a business and eventually grow out of poverty, but others will use microfinance just to survive. Sustain their existence (Interview Transcript - Subject 11, Paragraph 69 - 70).

> It [microfinance] is definitely an effective tool to grow businesses, encourage entrepreneurship and in many other cases just to make ends meet (Interview Transcript - Subject 19, Paragraph 4 - 5).

All of the NGO CEOs were connected to the IFIs and shared how the IFIs had founded their MFIs. Whilst all the NGOs started with a subsidised credit model, by design they were expected to become sustainable financial institutions. The majority of the CEOs had been IFI employees in the past and shared how the IFIs had created the MFIs as part of larger NGOs. The aim was to use their surplus from lending to fund the social goals of the NGOs, implemented in response to the IFIs cutting NGOs direct funding of social activities. As the microfinance market developed, the loans themselves became the social activities. This is where I argue that the narratives played a role. The microfinance industry through the IFIs has relied on the narrative which worked to affect the *senso comune* of the development industry and transform microfinance from 'debt to the poor' to 'an opportunity for an entrepreneur'.

> We were originally funded by USAID in the early 1990s, this project helped in establishing 7 microfinance activities, actually at that point in time I was an employee of USAID, and the idea then was to look at a vehicle that had the heart of a development institution combined with hard-nosed private businessmen approach (Subject 01 - Interview Transcript, Paragraph 6).

> In the beginning, you have to know, when microfinance started in Egypt, it was a tool for NGOs to continue, the 1990s. The idea of microfinance in Egypt was to allow NGOs to self-fund their activities, it was USAID's policy. USAID gave funding for activities such as education, health, so to make the NGOs sustainable, they gave them a grant to start microfinance operations. This is the start. The idea started to go well, the NGOs began to look for people who didn't have access to financial services, all NGOs were using the economic goals of sustainability through microfinance to sustainably fund their other social goals. The market then changed, it improved, and the NGOs started offering microfinance exclusively as their social offering (Interview Transcript – Subject 15, Paragraph 93).

The narrative of entrepreneurship was hegemonic in these interviews. The CEOs talked of the entrepreneurial loans they offer to clients and the impacts those loans have on the client's business. The narrative shared by the CEOs implied that the loans from their MFIs were drivers of creativity and economic vibrancy, presenting stories of successful small businesses rather than tiny survivalist enterprises their loans actually supported.

> So, these are things we are trying to change, creating a culture, we are not offering loans we are creating economic vibrancy, development. Whatever it takes to do that, we will do it. Bringing everyone in to participate in the economy. If you only have half the members of society participating, you will not be walking you will be limping (Subject 01 - Interview Transcript, Paragraph 43).

> This is not the petty traders you mentioned earlier, I mean workshops, carpentry business, recycling, light manufacturing (Interview Transcript – Subject 19, Paragraph 5).

The narrative's hegemony was challenged by one CEO, who presented their portfolio as something more varied than the narrative might imply. The CEO claimed that approximately only 20% actually ran any sort of business as a main source of income but also claimed that 50% of borrowers ran home-based businesses as well as working elsewhere. As I interviewed other tiers within my research, I was told by the loan officers and borrowers that many just fabricated a home-based business to be able to access NGO loans under the new law. The CEO highlighted what was said previously in the literature, that it was difficult to identify what borrowers did with the loans when loan officers had over 300 clients.

> 30% of our portfolio, the loan is everything for them to survive, to eat, to live. They stay the same, their loan allows them to survive but not more. 50% have business, and they also have jobs; the business is not the main source of income for them, maybe they work for the government, but they do have a home-based small business. 20% of them do run a business and in some way, grow and progress, not always a lot but it is clear. But 30%, they are just surviving, just for the next day (Interview Transcript – Subject 15, Paragraph 80 - 81).

> This is challenging to prove, but we try and prove this by visiting their homes, evaluate the business and do an investigation in to their homes (Interview Transcript – Subject 15, Paragraph 8).

Despite the narrative not being fully hegemonic amongst the group, many CEOs repeated anecdotes about borrower successes, reflecting the early promotion of narratives by the microfinance industry. I shared some of the research that demonstrated that microfinance was not effective in generating significant impact on employment or businesses. It was explained that researchers could never understand the feeling that practitioners have from the ground.

> We have a lot of success stories, people who were able to grow their businesses, employ people, other people as well. So, it is working on the ground, you would read about formulas to approach impact which might not totally agree with what practitioners are saying……… **I am not telling that we as practitioners have the right formula for impact, but there are things we can feel on the ground that is in the abstract very different** (Interview Transcript - Subject 11, Paragraph 16 - 19) (Emphasis added).

The strength of entrepreneurial narrative was demonstrated when one of the CEOs told a story that used all of the associations the industry created. The story not only entailed a successful business, but told of accessing education for their children, healthcare for their parents, and generally building a better life. The CEO shared an emotive and vivid personal story, reflective of the stories told by Mohammad Yunus at the outset of the entrepreneurial narrative, 'proving' that entrepreneurial microfinance worked. The story was told of a businesswoman, who had successfully started and grown a business, employed others, and drastically improved her and her family's lives. Whilst there is no reason to doubt this story, evidence from the literature, the IFIs, CEOs, loan officers and borrowers show success stories like this are the tiniest exceptions rather than the rule.

> We were still funded in the early years by USAID. Occasionally they had dignitaries visiting the country and so on. So, there was a senator called Joe Lieberman, Mrs. Lieberman, his wife, was in town and they were actually taking her around. They asked us to take her to one of our clients. We went to an area, very narrow alleys and so on, she had security details. We took her to a place, not far from Maadi, but really slums. We had this particular client, a woman, who, actually to get there was really, I mean, with the large cars and so on, so we all were walking, Mrs. Lieberman, her bodyguards, USAID mission, and went to this lady who had, we had to go downstairs into sort of a basement where she lived. The story of this lady was, she had four kids and she was married to a guy who was a taxi driver who got cancer and was incapacitated. She knew, nothing, really, in life, her sister taught her how to sew and she had the bright idea to make belly dancers costumes that she would sell in Khan el Khalili, it was great business. So great that she decided to open up in Sharm and Hurgada, to sell there. She was there, explaining her story, I was translating to Mrs. Lieberman and the others and she did so well that she employed many other ladies from the neighbourhood to help meet the demand. While she was telling the story, you could tell she was bubbly, you could feel she was empowered, she sent her elder daughter to university. She was able to give medical attention to her husband. While she was telling the story, it was so moving that Mrs. Lieberman started to cry, her bodyguards had tears in their eyes (Interview Transcript - Subject 11, Paragraph 80 - 88).

Despite the presentation of success stories, the effectiveness of entrepreneurial microfinance as it had been set up by the government was understood to be limited. The new law had positioned the NGOs in a difficult place, they were cast as tools to support people into employment while structural adjustment took place but evidence suggests they were not suited to that role. If jobs were to be created, it was not microfinance that would do it, one CEO explained. Investment and public spending were key for jobs in Egypt, the MFIs role was not one of job creator. Building on the evidence from the IFI interviews, it is demonstrated that the role of MFIs was never to be employment generators but to be bankers to the poor. Whilst the narrative had considerable value in the maintenance of hegemony in Egypt, it failed to fully influence the *senso comune* of the NGO CEOs.

> We are an NGO, so impact is part of our mission, and this is the challenge here. The unemployment in Egypt is out of our control, this is a big problem for the government to deal with, there needs to be investment in infrastructure, in education, they need to promote investment, all the things your government does to create jobs. We cannot be responsible for dealing with unemployment, there is no capacity in microfinance for this (Interview Transcript – Subject 19, Paragraph 5).

<u>Training and Profitability</u>

The CEOs confirmed that microfinance in Egypt is a profitable enterprise and NGOs have been able to generate a surplus from their lending activities and amass significant reserves. According to Mohammad Yunus (1999:74), he formed Grameen Bank as a challenger to the informal money lender who was charging exorbitant interest rates to the poor. Dr. Yunus claimed the proliferation of microfinance in Bangladesh was the pent-up demand from entrepreneurs. In Egypt, the CEOs explained that the MFIs grew rapidly because of their cheap accessible loans.

> We have been operational for 27 years, we were able to of course achieve our operational break even and then our financial, fully financial, breakeven, and then accumulate earnings throughout the years, and we have reached an equity of L.E 550 million (US$35 Mil) (Subject 01 - Interview Transcript, Paragraph 6).

> The reason why we took off, the whole microfinance sector, has built volume, relatively quickly, was because of the lack of any service provider on the supply side. When this activity started, no one was offering institutionalised credit, other than money lenders and loan sharks. We could provide loans for everything, to everyone. They [money lenders] used to charge 100% interest rates or more, so when we entered the market with a 16% flat interest rate, it is heaven on earth. So that is why we went up in volume very quickly (Subject 01 - Interview Transcript, Paragraph 8 - 10).

Each of the MFIs had experienced high growth over the last 10 years. The NGO CEOs were now worried about their growth and profitability following the 2014 microfinance law. The law had limited their clients and each of the NGOs had experienced a fall in revenues since the law's introduction. The CEO's comments reinforced my finding that the IFIs created a market for private capital through the law and under the guise of a narrative.

> When they [Government of Egypt] put the law, they didn't have in mind the existing NGOs. It's like the law was put not for us, but for the new companies. It's not clear. I think this will affect the market. Yes, many new companies will open, we understand that, and they come from huge investor funds, international funds. When we ask what the category of clients is you will serve, they will focus on the existing saturated areas in Cairo and Alex. The poor people in the rest of Egypt won't have access. It will affect them; it will affect us [NGOs] as businesses (Interview Transcript – Subject 15, Paragraph 95).

The NGO MFIs had begun working with the IFIs to build new sustainable income streams, most prominently entrepreneurship training. The CEOs used the same language as the IFI representatives I interviewed. Debt without training was suddenly considered irresponsible despite their near 30-year history of operating without training. The IFIs had sold each of the NGO MFIs a consultancy package for entrepreneurship training and the CEOs were working to mainstream entrepreneurship training for their clients, predominantly due to the value of the income stream. Given the long history of working with the narrative of financial inclusion the CEOs had to work to convince colleagues, loan officers, and borrowers that training was more than an income stream. They presented it as a market differentiator between them and the other MFIs and as the difference between the success and failure of a microenterprise. Their efforts demonstrated that the narrative of entrepreneurship was only hegemonic at the most senior of policy levels. Others within the MFI failed to see the importance of entrepreneurship training for their clients because they did not view their clients as entrepreneurs.

> You cannot only give money, it's a one-time deal. Giving money to anyone with a business idea or not is not a socially responsible thing to do (Subject 01 - Interview Transcript, Paragraph 24).

> I am using this analogy with my colleagues, you should look at non-financial services and financial as two wings of a bird, if they are not fully synchronised the bird will fall. So, this is where we are [hand indicates low point] and this is where we want to be [hand indicates high point]. This is our market differentiation position, on which nobody can compete with us (Subject 01 - Interview Transcript, Paragraph 26).

> Let me give you some quantitative reflections on our ideas. If I constantly look as non-financial services as a stand-alone activity, I will logically look at it as a revenue generating activity. But if I link it to the financial services I am offering, then, linking it, no sorry I don't mean linking it, I mean mainstreaming it in my product range, then the situation is completely different (Subject 01 - Interview Transcript, Paragraph 28).

The IFI's entrepreneurship training required the understanding that the loans were used for a microenterprise. Evidence from the NGO CEOs themselves confirmed this was largely not the case. The CEOs responses changed as the discussion regarding training continued. They moved further from the narrative of entrepreneurship, indicating it had not influenced their *senso comune*, they were repeating it because they had to. It became clear that financial inclusion was where they understood there to be value for clients in microfinance. They refer to training as important not because it helps entrepreneurs, but because they needed an income stream to replace the lost revenue. The evidence from the interviews demonstrated that they were certain the training was an income stream but were not certain it gave any real value for their clients.

> Our clients for microloans, they come to us, borrow or make a payment and leave, they don't want to waste more than 10 minutes with us (Interview Transcript – Subject 19, Paragraph 23).

> When you have poor people, who do anything they can to get by, this is a different sort of person to train. We need to ask ourselves why I am training these people, what do I think they will get from this. If they are borrowing money, 1000 LE, what do they need to learn, there is no scope for growing this business, this is about putting food on the table. Their time is so limited, often they have other jobs, or big families, making them sit through hours of instruction so they will learn how to be entrepreneurs is ridiculous (Interview Transcript – Subject 19, Paragraph 23).

<u>Financial Inclusion and Consumption</u>

> The new law allows the new companies to operate outside of this, like Tanmeyah but this is impossible for us to become like that. I believe there is a good market in Egypt, but we just cover 2% of the possibility, we can only cover the businesses, all the remaining personal financial needs are unmet. So why people are claiming to have businesses and using the loans for other things is this. The potential for financial access is huge (Interview Transcript – Subject 15, Paragraph 95)

The CEOs had all consulted on the 2014 microfinance law but none of them had been prepared for the outcome which excluded them from their main market. The Government of Egypt and the IFIs had sold the law to them as important to regulate their industry but actually it conspired to exclude them from it. The law meant they could no longer offer their loans for 'social goals', described as education, healthcare and consumption. This meant they lost large parts of their previous market. It was at this stage within the interviews that the narrative of financial inclusion was asserted. The NGO CEOs felt they had been excluded from the financial inclusion market and this meant the poor would be socially worse off because of it.

> We as MFIs requested the new laws and regulations. Through our ministry, the ministry of social solidarity, who by the way don't have the capacity or knowledge for financial regulation, we asked for a new law and to be under the supervision of a financial ministry. By the way, the new law, was less than our expectations. We as NGOs, working with poor people, we have a social goal, of course we have a financial goal as well, but the social goal comes first. We decided to work with poor people. The law now, allows us to work with business only, so all of the NGOs have a problem, 70% of their previous portfolios was for social goals, like education loans, health care loans, consumer loans, so they find themselves not being able to re-lend to their existing portfolios (Interview Transcript – Subject 15, Paragraph 93).

The CEO's articulation of the loss of their key market illustrated that the narrative of entrepreneurship was only promoted because of the law. The narrative that was hegemonic amongst CEOs was financial inclusion. The NGO CEOs constructed their past loans as a social good and their aims as socially responsible. Those CEOs also constructed the commercial MFIs as being bad, and a social ill, despite the loans and interest rates being identical. The lack of social mission behind the commercial MFIs was problematic to the NGO CEOs, commercial MFIs were constructed as unethical and accused of malpractice.

> Newly formed companies would do just about anything to increase their portfolio and their market share and so on and in the process, they would offer much larger loans, to customers that could not afford it. Unfortunately, there is no protocol or guidelines for them not to do that. Yes, there is client protection, certain guidelines, but they are not enforced, or not effective (Interview Transcript - Subject 11, Paragraph 30).

> [The problems are] because of the malpractices of the new companies are doing. They are coming and they are dumping our clients with money, more than they can absorb, more than they technically, more than their debt service capacity (Subject 01 - Interview Transcript, Paragraph 18).

Evidence from the NGO CEOs demonstrates that the narrative of financial inclusion is hegemonic amongst the senior management of MFIs. The conviction of the social good of their loans has allowed microfinance to remain a hegemonic development policy in Egypt. Commercial MFIs were replicating the actions of the NGOs yet because the commercial MFI do not associate positive social outcomes with their loans through a narrative, their loans were not a social good.

The NGO CEOs explained that consumption loans were popular with their clients from the 1990s, when the entrepreneurial narrative was first introduced. As the interviews progressed, the CEOs expressed little conviction that the narrative of entrepreneurship was effective. For the NGO CEOs, financial inclusion was not about consumption for consumption's sake, it was born of a real need for the poor to access public services that were no longer free. Their statements demonstrated how structural adjustment had cemented the need for financial inclusion, one neoliberal idea worked to support another. The evidence from the NGO CEOs demonstrates that the narrative of financial inclusion is present in their collective *senso comune*. The NGO CEOs claimed that their loans were the best way for the poor to navigate the challenges of being poor. The economic base had become a reflection of the superstructure. The neoliberalisation of economies had led to the financialisation of poverty and the CEOs implicitly supported that.

> From the early days, our audit team were picking up that loans were not used for business, so we spoke with clients, focus groups and asked them why. They explained to us because you didn't give us loans for these things, for our needs. So, we decided to design these products and before the law they were very successful, for them and for us. The law stopped this. So, now if you go to clients, you will find that they have a loan for business, but they didn't use it for business. He used it for his daughter's wedding, his son's school, maybe if he faces a health problem, he uses it for that (Interview Transcript – Subject 15, Paragraph 66 - 67).

> When I view financial inclusion and coming from the need for the poor to have all of the spectrum, it is a bit different from what I see being the bandwagon in Egypt right now. So, this is where I see there is a need to coherent national strategy on that, to

> really define what is financial inclusion (Interview Transcript - Subject 11, Paragraph 15).

Within the 2014 law, there was a clause and a process, albeit a complex one, that allowed NGOs to transform into commercial MFIs. I asked the CEOs why they did not make the change given they could keep their social aims and participate in the wider microfinance market. It was explained that being an NGO held a particular type of political power, power that the board of the NGO, made up of large business owners, did not want to give up. NGO board members could use their position to influence ministers in favour of their own private enterprise; access they could not get if they were not part of an NGO. After the revolution in Egypt, NGO MFIs were seen by the government as the holders of power and influence over their borrowers. The NGO board members understood that position and leveraged the power for their own personal gain. The NGOs were not transforming to commercial MFIs because of their own governance boards. The transformation from NGO to commercial organisation came at expense of political power, demonstrating the broader political economy in which microfinance operates. The MFIs are not necessarily grassroots-oriented altruistic NGOs but actors driving their own individual agendas (Banks and Hulme, 2012).

> The board of trustees would lose power. They are businessmen at the end of the day, they have corporate interests outside of this role. Being part of an organisation [NGO] like this allows them to knock the doors of any minister, even to reach the president, as we represent 'this' NGO. Our active client base is 330,000 clients, critical mass, over 1.5 million people connected by family, critical social mass. And then you have to understand the power. This is a tool. If you are a private sector entrepreneur, big private sector entrepreneur, you should be part of this, you can take decisions to support some governorates, some ministries, which will make you walk both sides of the street. You can influence and effect ministers with your NGO actions, in return can benefit you (Subject 01 - Interview Transcript, Paragraph 51 - 52).

<u>The Narratives of Microfinance and the NGO MFIs</u>

The evidence from the NGO CEOs demonstrates that the narrative of entrepreneurship plays a role in the maintenance of the hegemony of microfinance but is itself not hegemonic amongst those CEOs. As I demonstrated in chapter five, the entrepreneurial narrative amongst the IFIs is hegemonic but according to the CEOs of MFIs, on the ground it sets unrealistic expectations and is not a reflection of microfinance reality. The NGOs are shown to sell entrepreneurship training to replace a lost income stream. The CEOs were unconvinced of its effectiveness for clients but were aware of how it would add value as a sustainable revenue source.

Financial inclusion was the narrative that the NGOs wished to pursue. They repeatedly confirmed that it was their social responsibility to provide loans to the poor. This demonstrates that at the senior management level of MFIs, financial inclusion as a narrative was hegemonic. In Egypt, through the various SAPs or CPFs, public services have been removed or privatised so that microfinance and the NGO MFIs have always been there to support the working poor through structural adjustments. The NGO CEOs were concerned that their clients are now unserved, leaving them excluded from many everyday services they once borrowed money for to access.

I argue that the narrative of financial inclusion is hegemonic at an MFI senior management level. While entrepreneurship holds strongly at the IFI policy level, MFIs who had been lending money for decades were acutely aware of its limitations. Financial inclusion is at the core of the NGO MFIs in Egypt, it was present in the *senso comune* of the CEOs who state their loans are a social good. The NGOs promote the narrative of entrepreneurship to remain able to operate legally but they ultimately wish to practice financial inclusion to ensure their clients can access services in a neoliberal economy.

The Bad – The Perspective of a Commercial MFI CEO

Entrepreneurship and Poverty Alleviation

> Absolutely not, to be perfectly honest, we set this up because we saw a market gap and an opportunity to make money. We can’t claim to have entered the market for

> any other reason than to make money. We have no social goal or developmental goal. We do know that the side effect of business investment is employment which can improve poverty levels, but that is not our reason for operation. Our main target is to make money. We never in any of our policies considered, let's say reducing prices, because it is better for borrowers. So long as the market dictates the rate we are selling at, we are selling (Interview Transcript – Subject 17, Paragraph 36 - 37).

Microfinance in the commercial world was not about poverty alleviation or social inclusion, it was about making money. Yet despite the MFIs being able to offer consumption lending, they chose to promote a narrative to publicly advertise the MFI. The website presented enterprise lending first, all other forms of finance were concealed behind that narrative. In the early stage of my interview, the CEO promoted the narrative of entrepreneurship. He explained that the enterprise loans from his MFI were not the tiny survival businesses that NGO MFIs supported but larger more innovative microenterprises. The CEO explained that the NGO model is flawed and that focusing on the larger family-run enterprises was profitable for both the enterprise and the MFI. In asserting his MFIs role in supporting business, the CEO further explained that it had no role in solving the complex issues of poverty but only could support businesses in growing faster than they otherwise would. The CEO stated that microfinance had no ability to address societal problems such as poverty, improved education, and women's empowerment (Bateman, 2010b; Bateman and Chang, 2012; Mader, 2015; Bateman and Maclean, 2017). The commercial MFI CEO challenged the NGOs and stated that they use a women's vulnerability to force them to repay (Czura, 2015), not the women's social empowerment the narratives claim.

> There is a mismatch always between what happens and what the organisation, also the funders say will happen. MFIs in Egypt are victims, in fact MFIs globally, of what they were told about microfinance from the 80s. They were never taught how to think, they were told what to do. The modus operandi today is nearly the same as it was 30 years ago, 40 years ago. As far as I am concerned it is sickening, I don't like this guy [Mohammed Yunus]. I have been with him on a couple of occasions, and I really don't like this guy. I am sure he has done a lot of good things, but what he taught to the industry is totally wrong. All of the new investors, all the innovators, the mobile

> financial technology companies, companies like ours are proving them wrong (Interview Transcript – Subject 17, Paragraph 60 - 61).

> Look at the way they lend, they take a bet that none of the women in the group will jeopardise themselves in the group, the women will always find a way to repay, this is not working on development, they are taking a bet that the women will pay back the loan, that's it (Interview Transcript – Subject 17, Paragraph 61).

Whilst the NGO CEOs cast the commercial MFIs as being unethical, the commercial CEO saw the opposite. He stated that commercial MFIs were responsible lenders, however, their loans were not for the purpose of 'development'. The CEO explained that they operated as a commercial bank. There was no narrative of entrepreneurship or financial inclusion, just the provision of financial services. The CEO was aware of the narrative of entrepreneurship, yet claimed they were not pursuing that narrative. They stated their MFI was not trying to convince the poor that they could escape poverty through loans, they were providing a service to the unserved for a profit. Despite the rejection of the narrative, the commercial MFI had structured their whole external communications strategy around the promotion of business loans, demonstrating the success of the enterprise for its clients. I argue that the CEO understood the value of the narrative and presented it to distract from the larger part of their business, consumer debt, which was more difficult to positively spin.

> New companies, us for example, are doing it differently, we are responsibly lending to business, we are not doing that because it is the right thing to do, we are doing it for profit. These actual businesses are at least tools of employment above that of survival and subsistence, business that have been functioning for at least one year (Interview Transcript – Subject 17, Paragraph 61).

<u>Non-Financial Inputs</u>

> I don't believe in the entrepreneurial development microfinance, I think it just covers consumer lending for providers who are not able to perform that function, I don't

> believe you can train people like that (Interview Transcript – Subject 17, Paragraph 39).

> I used to be a trainer, a trainer of trainers for entrepreneurs. We ran a programme in Egypt, supported by the social fund for development, which taught people how to be entrepreneurs, in the late 90s. It is amazing that they are still doing this. Let's say, from every 10 only 2 would make it to the final stage of the training and out of those two, one or actually less than one would become an entrepreneur. Of those that started businesses less than 2 in 10 would survive the first year. Maybe I wasn't a good trainer, I don't know, but I looked at the outcomes and the direction and thought it couldn't work (Interview Transcript – Subject 17, Paragraph 50).

Despite using the entrepreneurial narrative to publicly promote the MFI, the commercial CEO reconfirmed that the ideas of entrepreneurship were flawed, especially the idea that the poor could pay to be trained as entrepreneurs. The CEO explained that he had been party to the introduction of the entrepreneurial narrative in Egypt in the 1990s. Then, like now, he explained that it was designed to support a government that had a lack of alternative ideas to address poverty and unemployment. The reintroduction of entrepreneurial microfinance as part of the 2014 law was seen as an ego problem within the IFIs, with them failing to acknowledge the method did not work. This evidence from the commercial CEO demonstrates that despite being dismissive of the ability of microfinance to impact entrepreneurship, they clearly understood it had a greater value than impact. The narrative of the entrepreneur at a policy level was hegemonic and the commercial CEO understood the value that had on protecting their business from any negative associations of high-interest consumer debt.

> I don't know what it is, there are a lot of egos in play, a lot of international donor organisations not willing to admit the change in perspective and acknowledge that these things don't work (Interview Transcript – Subject 17, Paragraph 50).

> This is a huge mistake in my opinion, of Egypt and of NGOs here. Thinking that the private sector, I mean people becoming entrepreneurs is the best alternative for

> them. Entrepreneurship, entrepreneurial spirit is not something you learn, maybe 1% can learn it, but 99% of entrepreneurs have that spirit in them. But if you present loans, put them in front of people with no alternative, even loans from the social fund, finance a lot of people into trouble (Interview Transcript – Subject 17, Paragraph 43).
>
> The other alternative, I was an economist working for the ministry of finance at the beginning of the microfinance industry here, the late 90s. This was a problem we were trying to fight, we knew that this would not work, to give people money and to try and get them to do things is not going to end up very well. This was the prevailing thought at the time, that it would work. The best way for this is grow existing businesses, medium enterprises, state enterprises, ease access to markets for products, let's say an industrial strategy. Leave it up to the individual if they want to become an entrepreneur. Provide the job opportunity option more than anything else, of course entrepreneurs need finance, but they need more of VC like funding, not small debt (Interview Transcript – Subject 17, Paragraph 43 - 45).

Financial Inclusion and Consumption

> We build high street branches to provide a whole selection, a diverse range of financial products for underserved low-income groups. That is how we were set up; we are able to provide a wide range of financial products including consumer finance (Interview Transcript – Subject 17, Paragraph 5).

In the interviews with the IFI representatives, there was consensus that "a big push on loans without jobs would have been a difficult sell" to the Egyptian government. I argue that is the reason why the commercial MFIs use the narrative of entrepreneurship when promoting their business. Whilst promoting the efficacy of enterprise loans publicly, the CEO explained to me that the whole set up of their MFI was to provide a full range of financial products to a full range of consumers. I asked the CEO if their strategy was 'financial inclusion', to which he explained that the loans were not 'financial inclusion' for any sort of development imperative or social good, but because it was a profitable and underserved market.

> The branches are on the high streets, they are designed to be visible, accessible, we usually put them near transportation hubs, microbus stands, metro stations. They are branded like one of the TELCOs, Etisalat or whatever, on a smaller scale. Every branch has an ATM we had specially designed and the whole idea was not just to sell microenterprise loans, which are a core product, but to sell the hub itself as an access point to our clients for other services (Interview Transcript – Subject 17, Paragraph 5).

The CEO was clear that NGOs lend for consumption purposes despite the law and was very critical of their process. The CEO claimed that it was the NGOs that were unethical because they did not make the appropriate assessment for consumption lending.

> There is always a tendency for consumption in lower income countries, so we are not comfortable with not lending correctly. Consumer loans need to be measured against regular incomes; business loans need to be to invest to increase business income, assessed against a business plan. Mixing the two uses is negative (Interview Transcript – Subject 17, Paragraph 52).

To highlight the risk of improper lending by NGOs, the CEO talked of a charity which had been set up to work with over-indebted microfinance clients. The charity, a member of which was interviewed in the process of developing my thesis, worked with women clients who were imprisoned for failure to pay microfinance loans. The commercial MFI CEO claimed that their company had the lowest percentage of clients on the charity's list of all the MFIs, including the NGOs. The NGO CEOs accused the commercial MFIs of malpractice and now the commercial CEO was accusing the NGOs. It was the perspective of the commercial CEO that NGOs were a problem in the microfinance sector. Their enterprise loans were ineffective at creating enterprises and their consumption loans were badly assessed.

> I am sure you know the charity who have representatives travelling around the country trying to bail out women who are in prison for not paying loans, business loans, that they obviously used the loan for consumption. They approached the microfinance industry and asked is anybody in trouble for not paying their loans, we gave them access to our clients in arrears, as did all the NGOs, and we were very happy

> that we had the lowest % of clients in arrears (Interview Transcript – Subject 17, Paragraph 52 - 53).

The microfinance law had allowed MFIs to become banks, able to maximise income and shareholder value by lending to the poor. In discussing profitability, the CEO stated that they were looking to buy into group lending portfolios, something they had earlier criticised NGOs for because they were detrimental to women. The portfolios however were secure and profitable as well as being associated with the positive narrative of entrepreneurship, so they were looking to invest. The commercial MFI would have funded the loans and taken a margin while the NGO would have administered the loans and managed the clients. The commercial MFIs had money to invest and they were looking for the best return.

> We have been studying very carefully whether we should get involved in group lending. We were looking at acquiring a large group lending portfolio from other MFIs, but we would act as an Apex organisation in that we would fund the portfolio, but they would administer and collect (Interview Transcript – Subject 17, Paragraph 15).

The CEO further criticised NGO lending practices and confirmed that they would not buy a portfolio from an NGO as first planned but they would start their own. The commercial MFI would fully assess the financial risk and measure the reward. The impact was not important but profitability was and bad lending practices led to ultimately lower profits.

> That is why we have decided not to buy a portfolio of group debt and perhaps going into it ourselves. Because even though we see very low risk levels in those portfolios, we don't think the money is being used appropriately and at any time this can backfire, financially or reputationally. I don't think [NGO] and [NGO], the NGOs that had the portfolios we were looking at had the maturity to understand that having huge portfolios of consumption or consumer loans can backfire because they are non-productive by nature (Interview Transcript – Subject 17, Paragraph 57).

Commercial MFIs and the Narratives of Microfinance

The evidence from the interview with the commercial CEO demonstrates that the narrative of the entrepreneur, whilst disproven and disliked by the CEO, was useful in promoting their business. The commercial MFIs were not obliged to lend for enterprise purposes yet the commercial CEO used the entrepreneurial narrative to open the interview and promote their business. The CEO was direct in saying that their loans were not for development or social good, yet their website shared the positive associations of the narrative of entrepreneurship. I argue that the CEO understood the value of the narrative of entrepreneurship and used it to associate the commercial MFI with the positive framing the NGOs had in Egypt. The commercial CEO was clear that they believed that entrepreneurship could not solve the greater problems of unemployment in Egypt. That was the role of the government and the industrial sector. The role they saw for their MFI was to be the banker to the low income employed, not the provider of jobs through microenterprises.

The evidence from the IFI and commercial MFI interviews demonstrates that the industry understands the wider value of the narrative of entrepreneurship in maintaining the hegemony of microfinance in Egypt. The IFIs promote the narrative above that of their global financial inclusion narrative and the commercial MFIs use it to associate themselves with the positive environment for NGOs. The narrative of entrepreneurship is widely promoted by the IFIs and the Government of Egypt. This gives it significant value for commercial MFIs. The narrative of entrepreneurship is much more persuasive when promoting microfinance to a general audience especially when there is growing unemployment. The commercial MFI used the positive associations of the entrepreneurial narrative to cover their lending of consumption loans to the poor. The evidence shows the commercial MFI uses the narrative of entrepreneurship to maintain the hegemony of microfinance in Egypt. It is used not because commercial MFIs are unable to make consumption loans but because high interest debt to the poor is something that is not yet considered palatable when there is growing unemployment and a chance of unrest.

<u>The Market Makers, Good vs Bad – The Conclusion</u>

From the data gathered in my interviews with MFI CEOs, I argue that both groups understand the value of narratives. They rely on them to support their business and maintain the hegemony of microfinance. The NGO CEOs are mandated by law to lend for enterprise purposes and therefore promote the narrative of entrepreneurship to enable the continuation of their business. The entrepreneurial narrative is not hegemonic amongst the NGO CEOs. They argue that they should be able to provide social loans to the poor and assign social good to those loans through the narrative of financial inclusion. The interview with the commercial CEO reinforced my argument that the narrative of entrepreneurship is hegemonic at a policy level. Despite personally rejecting it in the interview, their organisation promotes it publicly to associate with the well-perceived NGO sector.

I argue that at a CEO level, the narrative of financial inclusion is hegemonic. Evidence demonstrated that the CEOs were certain that their loans for school fees, health care, and other types of consumption had great social value to their clients and their communities. Using Gramsci's notion of the base and the superstructure, the evidence demonstrates that the process of shaping *senso comune* is part of a reciprocal process between the two. The economic conditions of the base, which is reinforced by the superstructure, have conditioned the CEOs to not question the issues that the poor may face in borrowing high interest loans for basic services like health. The neoliberal conditions created by the SAP and CPF have financialised poverty and created a market for the MFIs. Within that process, the NGOs have assigned a social good to their loans with a narrative. The findings show that the narrative of entrepreneurship is used to comply with the law but the narrative of financial inclusion is hegemonic at this level.

The commercial MFI which participated in this thesis rejected the IFI driven narratives of both entrepreneurship and financial inclusion. They were clear that their loans were filling a gap in demand and they offered them to maximise the shareholder value of the MFI. From experience, they were clear that entrepreneurship loans were ineffective and were continued only because of egos at the IFIs. They were also clear that there was no social good in their consumption loans, incomes were constrained, people wanted to consume, and they were a financial provider. I argue that despite the strong rejection of narratives, the commercial MFI benefits from the positive associations of the entrepreneurial narrative to endorse their loans and grow their business. I argue that the commercial MFI chooses the narrative of entrepreneurship, rather than financial inclusion, because it is difficult to attribute real social value to loans.

At an NGO CEO level, the narrative of financial inclusion is hegemonic. The positive associations of loans to the poor through this narrative is present in the *senso comune* of the CEOs. Whilst the entrepreneurial narrative is hegemonic at a policy level, illustrated by IFI representatives, this hegemony is not seen amongst the NGO CEOs. They reject the idea but promote the narrative to comply with the law. The hegemony of the entrepreneurial narrative at a policy level is reinforced by the fact that the commercial MFIs in Egypt use it to promote their business. There is a shared understanding amongst the CEOs that the entrepreneurial narrative has a value and they rely on it in different ways to maintain the hegemony of microfinance. Narratives are shown throughout as a valuable tool in covering the financialisation of poverty.

The data from this chapter has furthered the understanding of how the industry relies on narratives and has contributed to the answering of my research question. The perceptions of the MFI CEOs have demonstrated how they promote narratives to achieve a goal related directly to the position or profitability of their organisation. The next chapter will track those narratives further down the chain of the microfinance industry and explore how they resonate with MFI loan officers. The aim is to better understand whether on the ground the narratives hold the same meaning as they do at a policy level.

Chapter 7 - The Front Line – The perspectives of Microfinance Institution Loan Officers

Introduction

In understanding the role of narratives in the maintenance of the hegemony of microfinance in Egypt, I wanted to look at all levels of the microfinance industry. The IFI and CEO interviews demonstrated that the narratives themselves are hegemonic among certain groups and they are understood to have significant value for the industry in allowing it to operate profitably as a development policy. MFI loan officers are the first line of the consumers of hegemony (Cox, 1983) and whilst they work for the MFIs who form part of civil society, I do not consider them part of the mechanism of hegemony. I interviewed six loan officers, each sharing their perceptions and perspectives of microfinance, and how they understood it for their clients. Loan officers are the least frequently discussed part of the microfinance industry despite them holding the direct connection between MFI and borrower. I sought to test the extent the narratives exist on the ground, as well as understand whether the narratives themselves are present in the *senso comune* of the loan officers. The loan officers interviewed have provided both consumption and enterprise loans. Their insight into the reasons why borrowers take loans provided me with an understanding of the realities underneath the narratives and contributed to the answering of the research question.

The Participants

Loan officers form the first of the two tiers that I term the consumers of hegemony. Whilst they are employed by the MFIs, they themselves are different from the CEOs and distant from the policy levels of microfinance. Of all the groups that participated in this thesis, loan officers were the most difficult to reach. Six loan officers participated: three from NGOs, one from a commercial provider, and two from religious MFIs that lend money as part of their Zakat programme. The MFIs they work for are spread across Cairo, Alexandria, and the Nile delta region. Four of the loan officers are male and two were female. The loan officers are of particular interest because they interact with both the policy makers and those that the policy makers talk of. The organisations the loan officers work for are the promotors of the narratives in Egypt yet they play a role far removed from the corporate offices by lending directly to the borrowers. The loan officers are local staff, confirmed by the CEOs as being from the same social class and geographical areas as the borrowers they work with.

Background

Microfinance loan officers are the least researched aspect of microfinance. Whilst loan officers are a critical part of the mechanism of microfinance, their roles are often studied from an MFI performance perspective which looks at how loan officers are critical for organisational stability or portfolio growth. Loan officers are rarely questioned on the realities of their work or the outcomes for their borrowers. Loan officers, like borrowers, are often addressed in the literature through statistical analysis researching how they are managed, how they manage clients, their workloads, and how they could be more effective. Seldom are the voices of loan officers heard in the story of microfinance.

One of the few studies that does take a qualitative approach to researching loan officers is Juliana Siwale's work (2007; 2016) in Zambia. Her work observes the day-to-day challenges that loan officers face in working with and managing poor clients, especially solidarity groups. Siwale provides insight into the social and cultural aspects that make up being an MFI loan officer. Siwale's work is critical of MFIs in a number of ways, pointing out the pressure put upon loan officers to pursue repayment through aggressive or inappropriate methods and the stresses faced by them going about collecting loans, especially delinquent loans. As loan officers were often from the same local areas that they worked in, they faced considerable anxiety and community isolation when they had to use the police and confiscate assets as part of their role as 'debt collector'. There was considerable emotional stress placed upon loan officers as they had to suppress any feelings of compassion for their clients that defaulted so they could confiscate possessions or forcibly collect money. These defaulters were often people who the loan officer would see daily, regardless of their work (Siwale, 2007).

Siwale's work accepts the view that MFIs perform a social good. Despite the complex discussion of power and gender relations involved in enforcing the collection of delinquent debt from the poor, there is no consideration that microfinance itself might be a problem within her work. The findings contribute to the earlier studies which claim microfinance relies on patriarchal societies (Duvendack, Palmer-Jones and Vaessen, 2014), yet her proposed solution is not that microfinance is not fit for purpose. Siwale proposes that there are more female loan officers to provide a gender balance in loan collection. The conclusions of the studies are said to have “added to the literature that highlights the importance and complex work of alleviating global poverty through microfinance”. Siwale suggests the “strengthening of the people side of the equation will go a long way to ensuring that microfinance institutions do their part and remain financially sustainable” (2007: 24).

Perhaps the most comprehensive and insightful study of loan officers is that of Sohini Kar (2018). In her ethnography of Indian MFIs, Kar demonstrates how MFIs and loan officers capitalise on the poverty of their clients. Kar’s deep insight into the operations of MFIs in India uncovers the use of shame and embarrassment by male loan officers to enforce repayment by female borrowers and details the toll that takes on both loan officer and borrower. Kar’s work also facilitates an understanding of the processes by which loan officers make their decisions. Loan officers observe tiny details of borrower’s lives, from whether they drink alcohol to how clean their house is, and from their marital status to their existing collection of electronic equipment. Kar talks of the moral economy of credit, where she observes how social and cultural constructions of worthiness determine loans rather than any objective process. Her embedded work provides access to the realities of MFI operations, the descriptions of which fall far short of the narratives the MFIs promote.

The only other significant or notable piece of qualitative literature focused on loan officers is produced by the Pakistan Microfinance Network, funded by UKAID and Citi Bank (Aziz, 2015). The study aimed to learn lessons from the ‘foot soldiers’ and was designed to inform MFIs and interested parties at a policy level. The study provided insight into perceptions and motivations of loan officers, most of whom were noted as being from a “modest economic background being hired from the local communities in which they work” (2015:4). The study found that loan officers were successful when they themselves could portray the “right kind of social and financial discipline” (2015:1) in their areas. Aziz also noted that loan officers had “limited understanding of the objectives of microfinance sector and philosophy behind its existence” (2015: 11). I argue that this justifies their position in this thesis as consumers rather than mechanisms of hegemony. I found it difficult to access loan officers for research, which might explain the limited availability of studies that focus on them. Alternatively, the industry could be avoiding publicising their perspectives and critical researchers might not have fully understood the insight they provide.

<u>The Underpinnings</u>

In the second level of interviews for my thesis, I wanted to change the focus from the promotion of the narratives to their reception. Through the loan officers, I wanted to better understand how the narratives resonated with them and how they were reflective of the reality they saw of microfinance. The hegemony of the narratives at this level would be demonstrated if they were present in the loan officers collective *senso comune*. The role of the narratives would be understood by their perceptions of their clients' activities. Previous research identified that loan officers' motivation for working for MFIs was primarily to do with limited alternatives and the job being a reasonably well-paid position. The same study indicated they were disconnected from the philosophy of microfinance (Aziz, 2015). If loan officers promote the narratives of microfinance, then the value of the narrative in maintaining hegemony permeates deep into the microfinance industry. If the loan officer's responses suggest that the narratives are not present, then the hegemony of microfinance is maintained on the ground by a different mechanism, one that will be explored in the interviews with the borrowers in the following chapter.

Building on the previous two chapters which demonstrated the promotion of the narratives of microfinance, this chapter explores how or if they shape reality. The IFIs claimed that microfinance had a role in supporting entrepreneurship and addressing the issues of unemployment. The CEOs of the MFIs claimed they were providers of financial inclusion, a social good for the poor. Loan officers are well placed to identify the end use of loans. Further, their views and perceptions of microfinance on the front line provide valuable insight into how the narratives are reflected in reality. Through the loan officers I sought to understand what remains of the narrative when the borrower meets the MFI. The answers from the loan officers will address the research question from a different perspective than the IFIs and CEOs. Their perspectives will not determine how at a policy level microfinance is perceived but reveal in practice why the borrowers borrow. For the purpose of understanding this analysis, respondents 08 and 09 had the CEO from their MFI present at the time of interview. Their presence may have influenced their responses.

The core codes I developed for my research are maintained at the loan officer level. They were as follows:

- Entrepreneurship – The narrative promoted by the organisations the loan officers work for, these were described as business loans by the participants. I sought to understand how loan officers perceive the narrative and see it replicated amongst their clients. The analysis gives critical insight into how the narratives are received by the borrowers and how that reflects in their use of their microloan.
- Poverty Alleviation – Complimentary to the entrepreneurial narrative, the MFIs claim their loans assist in the alleviation of poverty in Egypt. How the loan officers explained their client's experiences of poverty and its alleviation assisted in the understanding of what they perceived the role of microfinance to be in their clients' lives.
- Financial Inclusion and Consumption – From the perspective of the loan officers, this is related directly to consumption. The narrative of financial inclusion and the positive attributes of debt from a social inclusion perspective was not present in their understanding of microfinance. I questioned the loan officers to explore whether they assigned any of the positive attributes outlined in the financial inclusion narrative to the loans they offered to their clients.

The core codes were complemented by a specific code generated from this set of interview data. It was developed as the analysis progressed. The method was still deductive, using the original codes as a reference but drawing in a new unique code for the loan officers. The non-core code was:

- Family Status – Loan officers were frequently talking of the status of the families they had as clients. Status seemed to be associated with wealth and even the employment of family members such as husbands or children. Family status could be elevated by borrowing, further status was attributed to them being successful borrowers. Loan officers indicated an intangible but real change in borrower's psychological wellbeing, deeply tying microfinance ideas of self-fulfilment through capitalist means. If borrowing raised someone's status internally and externally, then the ideas of neoliberalism are hegemonic and microfinance is a tool of this hegemony.

Entrepreneurship and Poverty Alleviation

> Some people don't have any schooling, no training in anything so their option is buying and selling things on a small scale (Interview Transcript - Subject 09, Paragraph 18).

> We have unemployment problems and that is where we can help. Our clients don't have jobs, often they had jobs before, but they are no longer employed, sometimes new graduates too. If there are no jobs in the market, then our services can give opportunities to people who are without jobs. They start working for themselves, they can earn money for their family, these are the chances we have here (Interview Transcript - Subject 08, Paragraph 51 - 53).

> They come as a group, together with the plans and I review them. It is important for me that the whole group have viable plans, because if there is a weakness in the group it causes problems for all………..They should all have good plans, and all be committed to the idea (Interview Transcript - Subject 08, Paragraph 14).

> Each one [woman] has an idea, a business, sometimes they worked in it for long, some people want to start something. I meet with the group and process these cases, evaluate them and see the viable cases. I can then support the group loan to the manager, and he can approve (Interview Transcript - Subject 09, Paragraph 6).

For the loan officers who I interviewed with the CEOs present, the narrative of entrepreneurship was well embedded and well understood. The CEOs ensured that the loan officers demonstrated an understanding of the narrative and its impact. In contrast, those loan officers who were unaccompanied explained that it was just their obligation to ask if a client was running a business. Loan officers found the question of running a business unimportant in their daily work because they were instructed to complete income and formal employment assessments on the clients and their families. The loan officers confirmed that the MFIs would not rely on income from a microenterprise to repay a loan. Income needed to be from formal employment, rendering the entrepreneurial narrative irrelevant. As I argued in the previous chapters, MFIs promote the narrative of entrepreneurship only to comply with the law and because of its positive associations. Loans are granted based on the family's ability to repay from income from employment, meaning that entrepreneurship lending is only accessible to the employed poor.

> It is mostly a trading business that they say, usually from the home, for me it isn't too important as I know the repayment can come from their other income. So, if the business is successful or not, it doesn't matter too much (Interview Transcript - Subject 33, Paragraph 13).

> Sometimes there are other jobs, husband has a job, wife has a job, children work, we get to know the whole family (Interview Transcript Subject 04, Paragraph 10 - 11).

> I lend money to people because I can see they have jobs, or their husband has a job, their children have jobs. If it was just the business, I am not sure, I think unless it was one, I could see or I knew, I don't think I would lend money to them (Interview Transcript - Subject 33, Paragraph 34 - 35).

The NGO loan officers explained that granting loans under the new 2014 law had added a layer of paperwork to their process but had not specifically changed anything else. They now had audit processes to follow, which proved that they were following the terms of the law and granting loans only for enterprise purposes. As I continued my research and interviewed borrowers, I discovered that loan officers encourage borrowers to sign the paperwork pretending they have a business. Occasionally, loan officers would coach borrowers on what to say so they comply with the rules and could access a loan. My research demonstrates that at a loan officer level, in the absence of the CEO, the narrative of entrepreneurship is not reflective of microfinance reality. The 2014 law has created no more than a new administrative burden and the loans NGOs offered are still assessed against income from employment.

> We have a list of questions we need to ask and answer for our audit process, we fill out the questions on a form and that allows us to understand the business (Interview Transcript - Subject 33, Paragraph 20).

> That is what they say, it is usually that the wife says she will sell somethings in her local area, sometimes clothes, veg, these sorts of things...........It is important that we only lend to businesses, by law that is how we have to operate, so what I need to know for my manager is that there is a business within the family (Interview Transcript - Subject 33, Paragraph 23 - 25).

It was clear that entrepreneurial microfinance had been tried in Egypt. One unaccompanied loan officer shared a story of a client who had tried to run a business with a loan. The story not only explained some of the unacknowledged challenges the poor face when they are trying to run a business but also was stated as the reason the MFI no longer lent for enterprise purposes, despite being an NGO. The narrative of entrepreneurship depoliticises poverty and simplifies the environment in which borrowers are situated. From the earliest conception, the microfinance industry constructs an environment where there is no competition and no wider economic conditions to address. The narrative asserts that all that start an enterprise will be successful. This is not a reflection of the often hostile political economy within which the poor operate (Wood, Maitrot and Devine, 2016:7). The loan officers demonstrated that on the ground in Egypt, business activities take place in a highly competitive environment, competition locally as well as more desirable cheaper imports from China. The promoters of the narrative of entrepreneurship, the IFIs, have facilitated the liberalisation of trade in the CPF which has, in turn, created an increasingly competitive environment for any Egyptian entrepreneurs, micro or otherwise.

> She has the sewing machine, she says I am really good with it, I can make bed sheets, but suddenly, she found out that people, want something different. Something already made, something like that, they are cheap from China. At some point, she told

> us that no, the people in the neighbourhood, they either don't want, or they cannot pay (Interview Transcript Subject 03, Paragraph 41).

One of the main reasons the loan officers explained why entrepreneurial microfinance failed to work from an organisational perspective was the fact it took up too much time. Loan officers had sales targets and were driven to meet those, visiting homes to verify businesses was unrealistic given their portfolios and their targets. Furthermore, they were measured against loan repayments, so verifying a loan against an income was a more certain way of ensuring repayment. MFIs have often used repayment as a measure of the success of microfinance, conflating repayment with generating income and employment. This was one of the key associations that drove the narrative at the outset of microfinance. If loans were being repaid, borrowers were creating jobs and escaping poverty (Kochar, 1997; Khandker, 2003; Karlan and Zinman, 2009). The loan officers told of a different reality, they were busy and sales target driven. They were rewarded for successful repayment. Securing loans against employment income made sense to them and any enterprise was irrelevant. Yet, at an MFI level, the narrative of entrepreneurship would infer that the repayment of loans meant successful microenterprises. Kar (2018) found similar outcomes in India, loan officers would focus on repayment statistics over tracking the use of the loan. Repayment was key to success in their roles and income from employment was key to repayment.

> My main role is sales, our office must make 100 new loans each week, that is the target. We are 5 so we need to make 20 each, it takes a lot of time. We are based there reviewing the business cases and getting loans approved. Once that is done and the loan is approved it is up to them (Interview Transcript Subject 04, Paragraph 38 - 39).

> Well, what is critical for us is repayment statistics. We have repayment measures, for us if our clients are repaying then we are succeeding as an office. That is one of our measures. The manager keeps a check on the loans being repaid, then we know that the clients are working. We know we are making good decisions if the client is repaying (Interview Transcript Subject 04, Paragraph 46 - 47).

> All I can see is that our loans get repaid, that is my measure of their success. But I don't know about the business, I have no time for reviews or looking at the premises, so I can just see repayment is OK and I am OK (Interview Transcript - Subject 33, Paragraph 26 - 27).

In the previous chapters, I investigated the IFIs and CEOs perception of the role training can play in entrepreneurship and microfinance. I asked the loan officers how their clients responded to being sold training packages. The majority of loan officers were unable to understand why the majority of their clients would need training. They explained that they had not yet been mandated by their MFIs to offer the training services as compulsory with loans but felt that would come. Currently they avoided pushing the training on clients because they understood the loans were not for enterprises. One of the loan officers who was with the CEO explained that they offered training to clients. They also said that they had to spend considerable time explaining to clients why they would find the training valuable. The CEO stepped in and explained that they were in the process of working with the IFIs to get the content of the training to be more suitable for their clients and that currently the curriculum was not suitable for borrowers. The interruption of the CEO in the interview indicated that the sale of training packages was forced upon loan officers and the loan officers did not understand its value to the MFI or the borrower.

> They can learn financial skills, marketing, basic things like stock rotations, some of them are new and don't understand these concepts. We promote these trainings for clients to help them, others don't do this, and they see problems with their clients. This is why we are different and successful (Interview Transcript - Subject 08, Paragraph 25).

> I spend time explaining to them [borrowers] how valuable the training can be to them (Interview Transcript - Subject 08, Paragraph 26 - 27).

> It's something we need to work on, we are working with our partners on this and getting an idea of how to make it more effective for clients (Interview Transcript – CEO of Subject 08, Paragraph 28).

Financial Inclusion and Consumption Lending

> Up until recently, we gave loans for anything, if they could pay the loan back, from a job or a business we would lend them money. For shopping, TVs, Internet installation, for the school fees, anything (Interview Transcript - Subject 33, Paragraph 40).

> I think all of them. I don't remember from the beginning, like 2008 or whenever, but 3 or 4 years ago, all of my loans were for spending on needs, shopping, weddings, Eid, things for the home (Interview Transcript - Subject 04, Paragraph 36).

Financial inclusion as a term was not one that the loan officers were familiar with. They discussed the loans as loans for consumption, demonstrating the role of narratives at a policy, not practice, level (Aziz, 2015). The loan officers did not assign any social value to the loans as their CEOs did. The officers saw them as loans that the borrowers could afford to spend on what they wanted. The loan officers would assess the family income and make the loan accordingly. It was a straightforward financial transaction. The loan officers were clearly aware of the law change and they were sure to articulate that they no longer offer loans for consumption. They explained that their lending assessments had not changed. They still assessed income from employment but they did have new paperwork to complete. The borrowers were now asked to sign forms claiming the loans were for running a business. The loan officers also explained that despite the law change, they still had the majority of the same borrowers now as they had before the law. The loan officers implied that they were aware that their clients were just creating a business story and signing the papers to be able to take a loan. In Kar's (2018) ethnography, she notes that discrepancies in stated and actual loan uses are frequently overlooked by loan officers. In this case, it was not that the difference was overlooked it was that it was encouraged. What really mattered to the loan officers was the fact that the borrowers could repay.

> But why I am telling you, maybe 70% of my clients, I still have from before. I used to lend them money for school fees or at Eid for the feast, but now I am lending them money for a business from their home, I don't know really. What is important for me

is can they repay it, many I have known for a long time, I know they can repay so I am comfortable (Interview Transcript - Subject 33, Paragraph 31).

I don't know, I don't visit them, they come to me, I can only tell you what they tell me. But I do know many of them, like I said, from a long time, people who always borrow money in the summer to pay for the school, still come in August for a loan (Interview Transcript - Subject 33, Paragraph 33).

The loan officers were aware of their legal obligation to offer enterprise loans only. Therefore, most stopped short of claiming their current loans were used for things other than enterprise. The fungibility of money, along with limited time and large portfolios, meant they could rely on vagueness to cover their activities. The key factor for loan officers as always was the borrower's ability to repay (D'Espallier, Guérin and Mersland, 2011).

Of course, how can anyone know all things. It is hard to track, people can do many things, many things they need. Some sure need to run their business, maybe some have other issues alongside. Sometimes we know they buy other things because we see them with things, a motorbike, but what can we do now? Maybe that is to get them to their job or for deliveries. The important factor is that they can repay (Interview Transcript Subject 04, Paragraph 51).

Given the terms of the narrative of financial inclusion were not something that the loan officers understood, I asked how important they felt the loans were to their clients. The loan officers understood that the rising cost of living for their clients meant that they needed loans for access to goods and services they otherwise would have to save for (Dichter and Harper, 2007). The loan officers did not reflect the narrative of financial inclusion that their CEOs promoted. The loans were not considered by the officers as a social good, they were a tool for those with a constrained income to expand their consumption because life in Egypt was becoming more and more expensive.

Many people owe money because life here is becoming expensive (Interview Transcript Subject 05, Paragraph 13 - 14).

> By getting things. Yes, they do, they can't always afford those things, like school fees are expensive in one payment, so for sure they do so their children can go to good schools (Interview Transcript - Subject 33, Paragraph 42 - 43).

> Mostly they have jobs, some for the government, some for companies. Everyone spends more than they earn, if you have a family in Cairo, it is expensive, so they don't have everything for sure, but they are not hungry (Interview Transcript - Subject 33, Paragraph 49).

Evidence from my research demonstrates that the narrative of financial inclusion, especially the assignment of social good to loans, fails to reach beyond the policy and CEO level (Aziz, 2015). Loan officers provided loans predominantly to the low-income poor for them to spend on goods and basic services. There was no attributed value to the loans. The CEOs claims of inclusion were not reflected: the borrowers needed and wanted the loans, but they did not have a value above their financial utility (Dichter and Harper, 2007). The loan officers were salespeople. Even those that worked for NGOs had their minds on maximising the number of loans granted and getting the maximum amount repaid (Siwale, 2007). The privatisation of basic services meant the clients needed more loans and this meant the loan officers could sell more loans. The changing of the economic base for the borrowers meant that loan officers could lend more money. The narratives played no role at this level, for the loan officers nor the borrowers. The SAP and CPF had created a neoliberal environment for the people of Egypt. This was the reality and there was no need for a narrative in maintaining the hegemony of microfinance amongst the poor.

> Most of my clients come every year, sometimes a few times and borrow money for all things. If they need healthcare they can borrow, for school they can borrow, if their wife wants something new for the house they can borrow. So, it helps them a lot, otherwise maybe they couldn't get treatment when they are sick or would not be able to send their children to a good school. These are important things for people, it helps them manage (Interview Transcript - Subject 33, Paragraph 50 - 51)

Family Status

Throughout the interviews with the loan officers, I observed certain terms and language that were not necessarily reflective of the narratives of microfinance but were value statements associated with debt. The loan officers deeply associated loans and being a successful borrower with one's family status. Those of a higher status could borrow reliably and those of a lower status could not be relied upon, reflecting findings of Kar (2018: 148). Those from a lower status that did borrow could see their status raised. Status was presented by the loan officers as self-fulfilment through personal consumption and asset accumulation. Value judgements were made arbitrarily about the deservedness of the borrowers and how they lived was measured before the loan officers would lend. Decisions of the loan officers used local cultural assessments of borrowers to determine who was creditworthy and who not, using values rather than due process (Thompson, 1971).

The loan officers selected who was a deserving person and who was not. This was counter to the narrative their CEOs presented. Microfinance was supposed to be universal and non-judgmental. The loan officers' responses demonstrated the exclusionary nature of microfinance, working to directly exclude those they were supposed to be including. This illustrated that the components of narrative of financial inclusion are challenged in reality as the loan officers demonstrated that the conditions for financial inclusion were underlying social and cultural forces. The loan officers had unofficially created a system of values by which they would lend money. I found this reflective of the idea of the moral economy argued by Thompson (1991). This value-driven assessment was particularly challenging to the policy narrative of entrepreneurship. Low status, in the words of the loan officers, was defined as those that do not have a job. The actions of the loan officers illustrate how realities on the ground are far removed from the policy level where narratives support the maintenance of the hegemony of microfinance. On the ground, the loan officers' actions demonstrate that it is not narratives that give microfinance its hegemony but the underlying economic base that has been altered to conform to neoliberal policies.

> We meet the family; we look at their living and their life and we decide if they deserve help. We look at their family, any income or anything and decide (Interview Transcript Subject 03, Paragraph 15).
>
> I speak with the family, ask questions, get to know their status, their income, all of the details about the family (Interview Transcript Subject 04, Paragraph 7).
>
> If their income is low, they have some problems that we think they cannot commit to repayments. In some cases, the family have bad conditions and they cannot commit to the loan, we see from the start that they will not repay (Interview Transcript Subject 04, Paragraph 16 - 17).
>
> I then ask them questions about where they live, their flat, their jobs. To gauge the status, if they can afford to repay. Then if I am satisfied, I get the paperwork ready and they sign (Interview Transcript - Subject 33, Paragraph 11).
>
> A feeling let's say, if there is no other income in the family, they are low status, then no I will not lend the money (Interview Transcript - Subject 33, Paragraph 38 - 39).

The evidence is reflective of the findings of Kar's work in India (2018) where loan officers were observed making arbitrary decisions on granting loans based on the lack of "class" or because a borrower's "home was dirty". The narratives of microfinance are proven to be just narratives at the point they are operationalised. Loan officers' prerogatives can deny entrepreneurs an opportunity or exclude those looking to be included, this is the reality, and it is not reflective of the narratives. If low status borrowers were able to borrow, the act of borrowing and successfully repaying is said to improve their status socially. The loan officers explained this as a key positive impact on borrowers, they had the ability to socially improve through debt.

When I was analysing this data, I observed the linking of social status and debt and reflected on its deeper connection to neoliberalism. The loan officers attributed self-worth to being able to successfully navigate a capitalist economy. The economic base in Egypt had many neoliberal components, the superstructure had normalised consumption and debt accumulation and this condition was highlighted by the loan officers' views of their clients. This was not the narrative of financial inclusion as promoted by the CEOs but in a deeper way it indicated that it was in the *senso comune* of the loan officers that social improvement came from debt and consumption. The loan officers assert that people can become "decent" people through borrowing, normalising debt and the financialisation of poverty.

> Many of my clients are better off in this sense, socially they improve (Interview Transcript Subject 05, Paragraph 45 - 46).

> He feels like, I am someone, like I am a decent person now (Interview Transcript Subject 03, Paragraph 67 - 69),

Social status and financial inclusion were directly linked by loan officers to formal jobs and employment, not to entrepreneurship. Loan officers confirmed they would not lend to those families without jobs, again directly rejecting the narrative of entrepreneurship. Loan officers clearly state that formal employment, not entrepreneurship, is the solution to unemployment and poverty for their clients, illustrating the value of the narrative only at a policy level. More broadly, the loan officers asserted that those without jobs could not borrow money, could not build meaningful lives. According to the narrative, they could not be financially included. This further illustrated that narratives at the implementation stage are not relevant, they are consumed only at policy levels. For loan officers, jobs were associated with all of the key status symbols in Egypt, most notably housing, marriage, and a family. If the unemployed did not find formal employment, then they could not get married or plan a family.

> In my opinion, the government should provide employment, work for the people, but this is out of my hands. They need jobs with salaries, things are more and more expensive here, life is becoming very difficult, people need to have jobs so they can plan (Interview Transcript Subject 05, Paragraph 52).

> People want to marry, have families, this is culture. You can't marry if you have no money, no job, it's impossible (Interview Transcript Subject 05, Paragraph 52).

> From their point of view, they prefer to have a stable work. To earn somehow, good money, instead of being at the risk of the loans. He will feel, our mentality here, our culture, they need stable work, they need work each month, each month I will have this salary (Interview Transcript Subject 03, Paragraph 75).

<u>Conclusions from the Front Line</u>

In interviewing the loan officers for this chapter, it was evident that both entrepreneurship and financial inclusion narratives of microfinance had no impact on the ground. The entrepreneurial opportunities and the inclusive nature of finance that was assigned to the loans by the IFIs but the CEOs failed to reach the front line and were far removed from the realities that the loan officers shared. The loan officers that worked for NGOs were aware of their legal obligations under the 2014 law but saw it as additional paperwork to allow them to continue to serve their existing market. The financial inclusion narrative that the loan officers' CEOs discussed was not reflected in the responses from the loan officers themselves. The loans were provided to expand consumption and to enable borrowers to pay for basic services that were now privatised under the CPF. There was no social good assigned. Whilst the narratives of microfinance did not reach the front line, there was an aspect of inclusion that the loan officers explained. The loan officers each confirmed that social improvement and becoming someone "decent" could be achieved through borrowing. An individual's status in their community was defined by their success as borrowers.

Entrepreneurial microfinance had created an administrative burden for loan officers yet they continued to grant consumption loans in the same way they did before the law. The loan officers measured income from employment to grant enterprise loans, demonstrating the narrative and the reality are divergent. I argue that the narrative is redundant on the front line because loan officers confirmed that if the borrower had no job, then the MFIs would not lend, making it impossible even for real entrepreneurs to start a business with a loan.

The narrative of financial inclusion, especially the assignment of social good to loans driven by the CEOs was also absent at the front line. Loan officers described loans as basic financial transactions which they had targets to achieve. Their clients borrowed money to expand consumption, sometimes of goods and sometimes of basic services, many of which have been privatised under the SAP and CPF. The loan officers did reflect on the utility of the loans. The utility did not mirror a social good as described by the financial inclusion narrative. These findings provide me with evidence that illustrates the narratives play a role in the maintenance of hegemony at a policy level but on the ground the narratives play no role.

Outside the narratives of microfinance, the loan officers explained how they used value judgements to assess loans. They told how a borrower's status in the community was raised by being a good borrower. It was possible, through borrowing from an MFI, for individuals to become a "decent" person in the eyes of society. The loan officers classed borrowers as worthy or not and employment was a large part of this judgement. This demonstrates that when loans are granted on the front line, both the narratives of microfinance are redundant. A job is required for an enterprise loan, and those who are not worthy are excluded. I argue that what maintains the position of microfinance on the ground is the poor with constrained incomes and the continued privatisation of basic services. At a transactional level, microfinance is a tool to support structural adjustment and financialise poverty. The loans are not for a wider social purpose but are a necessity to exist in a neoliberal Egypt.

In my interviews with the IFIs and CEOs, narratives played a role in their communication with me and with the wider policy discussions on microfinance. On the front line, the narratives are redundant and evidence from the loan officers shows that they lend to the low-income poor so they can access basic services which are now not provided by the state. The SAP and CPF have privatised much of the state's service provision, which at a borrower level, as shown in the next chapter, has led to an increase in personal debt. I argue that the increase in personal debt and the rising importance of the microfinance sector in Egypt is reflective of Kotz's (2008:2) theory of financialisation. My research has demonstrated that the microfinance industry relies on narratives at a policy level to cover the financialisation of poverty. The narratives of microfinance are not designed to affect the *senso comune* of those who borrow and the process of hegemony takes place in populations far removed from the borrowers. The narratives work to ensure that those removed from the realities are not appalled at the idea of making a profit from the poor. The reality from the loan officers has demonstrated that irrespective of the narratives, the economic base within which the poor live has been altered to the point that microfinance is a necessity for them to manage their lives where poverty is financialised.

In the following chapter, I explore this argument further, interviewing the last of the tiers of microfinance participants, the borrowers. I sought to explore how they understand microfinance, why they borrowed, and the outcomes they were expecting from their loans. The aim was to better understand whether the borrowers' realities are reflected in the narratives of microfinance or whether they reflected financialised poverty where loans are required to participate in the basic necessities of life.

Chapter 8 - Voices from the Ground – Perspectives of Microfinance Borrowers

Introduction

Microfinance borrowers as research subjects have been continually constructed and reconstructed within the narratives of microfinance. They are the most frequently talked about and least frequently talked to participants in the industry. They have been entrepreneurs as well as the financially included. The constructed identities of borrowers have been presented in the narratives of microfinance to maintain its hegemony. In this chapter, microfinance borrowers share their perceptions and experiences of microfinance in Egypt, focusing on how they understand or interpret the narratives. In interviewing borrowers, I sought to determine whether the narratives reflected their realities or, like with the loan officers, the narratives were far removed. I wanted to better understand whether narratives had a role in maintaining the hegemony of microfinance on the ground.

I view the borrowers in Egypt to be of particular interest to my research into the narratives of microfinance. They have been recently recast by the IFIs, the Egyptian Government, and the MFIs as aspiring entrepreneurs. In my interviews with the IFIs and CEOs, the evidence illustrated that the narrative of entrepreneurship works as an overlay to support the Government of Egypt's development plans and maintain the hegemony of microfinance at a policy level. The IFI representatives and the CEOs stated the limitations of the entrepreneurial narrative and concluded that their real interest was financial inclusion. I argue that after speaking with loan officers, financial inclusion in Egypt is tantamount to the financialisation of poverty. The financial inclusion narrative holds little meaning to loan officers, but they state that debt is now a necessity in the world they live in. Microfinance borrowers represent the point where narrative meets practice. I aim with this chapter to determine the role of narratives in maintaining the hegemony of microfinance amongst those who borrow and reflect on the difference in the role narratives play at a policy level.

The Participants

The borrowers of microfinance are more likely to be from a highly vulnerable group and therefore careful considerations were made throughout the process of engaging with them. As detailed in the methodology chapter, the University of Bristol's Research Ethics Guide provided tools to manage my research with the lowest possible risk of harm to borrowers. Voluntary informed consent was explained to all and given prior to the commencement of all interviews and all data was secured and anonymised to provide assurances to those that participated.

Access to borrowers was facilitated through a number of channels, through the MFIs, by using my own contacts, and by snowballing from other participants. I interviewed 19 microfinance borrowers, the majority based in Cairo, two from the delta region and two from Alexandria. The borrowers were 60% women and 40% men, a lower percentage than the global average of women borrowers but in line with what has been said about the borrower profiles in Egypt. As previously stated, I made no assessment about the social status of the borrowers The aim was not to determine the success or failure of microfinance but to observe the narratives as they reach the ground. One of the borrowers that participated was recommended by an MFI CEO and they accompanied the borrower in this interview. This was of interest to me because the interview varied significantly from the other 18 borrowers I interviewed. To ensure I reflected a wider range of perspectives than those borrowers whom the CEOs wanted to introduce, I used personal and professional connections to reach other borrowers. Snowballing was used to expand the participant group and reach participants that were removed from my connections. I was accompanied by my research associate for the borrower interviews. The presence of a local woman helped in the introduction to borrowers, especially those that were female.

The Underpinnings

Like the analysis of the loan officers, the borrower's interviews have been analysed to determine the extent to which narratives of microfinance are reflected in their perceptions. Interviews with IFI representatives and CEOs demonstrated that the narratives were present in their collective *senso comune*. They each promoted a narrative that they felt improved the lives of borrowers in certain ways. The loan officer interviews demonstrated that once microfinance was removed from policy space, the narratives were redundant. What maintained the hegemony of microfinance in the view of loan officers was the fact that the poor needed loans to pay for life in neoliberal Egypt. I sought to understand the borrower's perspectives on microfinance, whether they represented the entrepreneurial ambition they had placed upon them by policy or whether they felt their loans were now just a necessity in everyday life.

To explore the perceptions of borrowers in Egypt, a random selection of participants were chosen using solely the criteria of being a microfinance borrower. The borrowers' loan use that was stated at the outset of the interview broadly dictated the direction the interview went. Those who borrowed and stated they started a business discussed their perceptions of this. Those who borrowed for other reasons shared their thoughts on those reasons. Unlike in the previous chapters when individuals were asked about the multiple narratives, the interviews with borrowers, given their status, focused on the stated use of their loan only. As I analysed the data, two groups emerged which were aligned with the two narratives of microfinance. I considered those the two core codes. The codes respond specifically to the sub-questions of this thesis as they provide insight into why borrowers engage with microfinance. The codes were as follows:

- Entrepreneurship – This was the original global narrative of microfinance, disproven by the IFIs but reintroduced to Egypt in 2014. Through assertive policies, marketing and promotion through NGOs, some of the participants stated they had started businesses with their loan because of encouragement from NGOs. There were varying degrees of detail offered indicating that whilst some tried to become an entrepreneur, others used it as a deflector to be able to access NGO loans. The responses were used to assess the reality of microfinance against the narrative of the entrepreneur and to understand how borrowers related to that narrative. 6 of the 19 borrowers were categorised in this group.
- Financial Inclusion – The new global narrative of microfinance, part of the microfinance landscape in Egypt prior to 2014 and promoted by the IFIs there through the commercial microfinance sector. Borrowers whose response corresponded with the narrative of financial inclusion ranged from the low income employed who

borrowed for school fees and household goods etc. and were comfortable with the repayments. However, they also included those who had borrowed money for basic survival including food. The responses given were used to determine the realities of financialisation against the backdrop of the narrative of financial inclusion and to understand what maintains the hegemony of microfinance on the ground. 13 of the 19 borrowers were categorized in this group.

The borrowers' interviews generated a further code. Whilst based on a small amount of data, it gave significant insight into how they perceive alternatives to microfinance. This data helps answer the research sub-questions and understand how individuals perceive microfinance within their wider political economy. The code is labelled alternatives to microfinance.

- Alternatives to Microfinance – This code explored what participants stated as alternatives to microfinance when it came to employment. It illustrated the lack of engagement with the narrative of entrepreneurship and explored their perceived alternatives. The borrowers understanding of the ineffectiveness of self-employment to escape poverty demonstrated that the narrative of entrepreneurship only has value for those removed from the reality.

Are they Entrepreneurs?

The Posterchild

> We borrowed money for the next 2 machines, we borrowed, 10,000 L.E (US$ 625) and purchased 2 machines for two new people we needed because our demand from Cairo was growing (Interview Transcript – Subject 14, Paragraph 7).

In what I argue was the CEO of an MFI promoting the narrative of entrepreneurship to me the researcher, the borrower accompanied by the CEO explained how they had used a loan to run their successful business. Within the 19 borrower interviews, the data from this participant was an outlier which presented the narrative of entrepreneurship in its textbook form. Their business employed c. 30 people at peak times, had used loans to buy machines and materials, and made the owners family very comfortably off. The CEO presented the business as one of the successes of his MFI, a business that had been helped with both loans and training. The CEO had specifically selected this borrower for me to meet and it was not the first time the borrower had met an interested party. I argue that the CEO was presenting me with "evidence" that loans and training work.

> They [the borrower] were part of one of our cash management training programmes and also the bookkeeping. We had an opportunity to work with them and explain the cash cycle for their business as it was growing, how we could help with loans………We try and put everyone through our training programmes, because we see the value (Interview Transcript – Subject 14 Accompanying CEO, Paragraph 10).

> For me it was very important to understand this [cash flow management], we would have run out of money if we didn't have the loan for stock (Interview Transcript – Subject 14, Paragraph 14).

The borrower and the CEO were well-versed in presenting the value of microfinance loans to the business. The CEO explained how entrepreneurship was a clear hope for addressing unemployment. Given the business premises that the interview took place in, it was difficult to argue with what I was being presented. However, based on the evidence provided by each tier of interviewee, the example I was being shown was far removed from the realities of the majority of 1000 L.E (US$62) microfinance loans. The CEO was following examples set by the industry, mixing the SME and micro sector to demonstrate the narrative. It became clear in the interview that the borrower had not used a loan to become an entrepreneur but had inherited a family legacy from a traditional craftsman. The borrower confirmed that the first loan they took was 10,000 L.E (US$625) and was used to buy two specialist sewing machines when the company already had two. The business now had a loan of 50,000 L.E (US$3125) which it had used for materials and storage space. The borrower that the CEO had chosen was the exemplar of the narrative of entrepreneurship and reflective of the stories the industry has told to further the narrative. I argue that whilst these stories might be 'true', they are the exceptions and not representations of the realities for most borrowers.

> I started working with my father in the workshop. He had been working in the small site all his life, he taught me about leather and how to make things (Interview Transcript – Subject 14, Paragraph 5).

This was an exceptional case selected by the CEO to demonstrate and promote the narrative of entrepreneurship to an outsider. It was not a reflection of the microfinance industry but a misrepresentation to promote the narrative. The example I was shown was an SME and not a microenterprise. As a researcher, I am interested in the SME sector and the role finance can play in the creation of jobs, but it is not microfinance as presented in the narrative. The evidence from my research as well as the literature shows the realities of microfinance being vastly different from this case. The 1000 L.E (US$62) average loan tells a different, less marketable story to the one in this example. The average microfinance borrower tells a story that is less compelling than the narrative would suggest.

<u>What Really Happens</u>

> Eventually I decided to do it [take a loan], I had no other choice, I needed to find some work for rent and food (Interview Transcript - Subject 32, Paragraph 12).

The stories told by the other five borrowers that stated they used their loan for entrepreneurial activities were less idealistic than the first interview described. The borrowers took loans of 1000 L.E (US$62) and were forced to attempt to start a business due to the lack of feasible alternatives. They were actively encouraged by an NGO MFI to take a loan and start a business. There was a theme across all the participants' experiences of starting a business with a loan. It was clear the borrowers were not entrepreneurs according to the definition of the narrative. The narrative of entrepreneurship creates a falsehood about the capacity of the poor to not only be entrepreneurs but to also be successful ones. In the responses from the borrowers, the realities are significantly divergent.

> I didn't really have a choice, I was looking for work, there was nothing for me to do, I had my family to care for, my husband works but he doesn't earn much (Interview Transcript - Subject 31, Paragraph 14).

> There was no option at that time. I worked for some families [as a cleaner] but because the economy is bad, they didn't want me anymore. Some women here were meeting to go to a loan office to go and get loans, so I joined with them and went to the office (Interview Transcript - Subject 22, Paragraph 11).

> There were no jobs there anymore for us, so we did many different things, I tried working as a cleaner in a school, and also tried for a job in [Company Name]. There were no jobs for me there, and cleaning was not enough work for me. Then I tried this, now I am stuck with it until the loan is paid (Interview Transcript – Subject 21, Paragraph 53).

The borrowers explained that they had been recruited to borrow money by NGOs that had been in their communities for many years. The NGOs had previously offered other types of social programmes, childcare and health checks. The loan office locations were trusted sites where the NGOs had previously shown their value to communities. The NGOs transformed their social centres into loan offices, started promoting loans for enterprise, and began to convince people, predominantly women, to take loans and start a business. The borrowers explained the NGOs worked to convince the women to start businesses which directly contradicts the narrative of entrepreneurship which claims a tacit demand for loans from poor entrepreneurs (Yunus, 1989, 1999). The NGOs cultivated borrowers to fit the narrative, not the other way around.

> They [NGO] used to give schools and doctors there [the loan office], then they started giving loans for us (Interview Transcript – Subject 21, Paragraph 13).

> They [the NGO] convinced me to take money and buy a sewing machine and make simple things to sell (Interview Transcript – Subject 21, Paragraph 17).

The borrowers each claimed they ran simple home-based trading businesses; the businesses were described by borrowers not as a business but as a "distraction" or "a struggle". The IFI representatives claimed in the interviews that the home-based businesses were useful tools to assist the poor in earning extra money. The realities told by the borrowers did not reflect the narrative. The borrowers explained that their activities were ineffective at generating additional income and left them short of money when it came to loan repayments. The borrowers explained that trading took up considerable amounts of time, which was not reflected in the reward. They felt like they were wasting days for a small return. The reward was small but the borrowers did it out of necessity for food and basic services.

> I have no time for anything else, I leave my children alone to come here when they are not at school. I do all that work and for maybe 200 L.E (US$12) per month extra. We need it, for food and basics but it isn't worth the time (Interview Transcript - Subject 31, Paragraph 28)

> I am trying each day to go and sell them, but this is the last time, it is a waste of my days, I am walking all day for nothing (Interview Transcript - Subject 22, Paragraph 27).

The realities of entrepreneurship with microfinance were not as the narrative states. The borrowers all claimed they would stop their business once the loan was repaid although they did not say they would stop borrowing. Across the participants, there was a sense of insecurity. They were concerned about the repayments and where that money would come from. There was no sense of empowerment and an escape from poverty that the narrative had thrust upon them. They were uncertain of their immediate future and what that meant for their family.

> I don't know, probably, yes. I can sell them all at the market on Friday, so I have the money for the repayment, if I am going to be able to make the repayment easily, it depends (Interview Transcript – Subject 21, Paragraph 43).

> I can't pay back if I don't have the money from selling. Then I am taking things from elsewhere to pay back the loan. My husband sometimes has work, so he can give some money for repayment but not always (Interview Transcript – Subject 21, Paragraph 47).

The narrative of the entrepreneur depoliticises poverty and casts its reduction as an individualistic task that requires only one input, capital. The complexities of life, especially a life of poverty is disregarded. Poverty is financialised and becomes an issue of capital (Yunus, 1999:288). The borrowers' accounts of running a bottom of the pyramid business told a different story about how the political economy they operated in was hostile and complex (Wood, Maitrot and Devine, 2016). The narrative of entrepreneurship assumes if the poor have something to sell, people will buy. The reality told by the borrowers was different. Just because someone had something to sell did not mean that people would buy. It was important for the seller to be known and in areas where they weren't, they were unsuccessful. The narrative of entrepreneurship fails to account for the informal power structures that govern the environment in which the borrowers trade.

> There were serious problems with the people who run the streets, they don't just let you sell things, you need to meet with them, talk to them, pay some money for them to let you. Any money that I had went to them, all of the rest of the loan. Just to be able to sell there (Interview Transcript - Subject 32, Paragraph 18).

> That is the problem here, I didn't know that at the time, no one said anything to me. When I came, I realised there is a system, a hierarchy, politics, who can walk where, who can sit where. All these things mean that it is hard to get good business here (Interview Transcript - Subject 29, Paragraph 27 - 28).

The borrowers I interviewed had paid to participate in training programmes to be able to access their loans. They explained that the courses were ineffective and poorly suited to the types of business they were going to run. The IFI developed training programmes were focused on bookkeeping, finances, and entrepreneurial skills. Whilst they might be suited to the business I interviewed at the outset of this chapter, they are unsuitable for the majority of borrowers. The curriculum was said to be poorly suited for their life but the training centres provided food and refreshments, so borrowers chose to stay. In my interviews with the IFIs, they claimed that all that was required for the microentrepreneurs to be successful was training yet the borrowers themselves claim otherwise.

> No, it [the training] was difficult to follow, I didn't understand it, I was trying but there was nothing specific for me. I went because I thought it would be good for me to know, but after one day I did not want to return, I wanted to just go and leave, but I should stay because that is what I agreed (Interview Transcript – Subject 21, Paragraph 21 - 23).

> I went, it [the training] wasn't very interesting or useful, but they gave us coffee and lunches, so I stayed (Interview Transcript - Subject 29, Paragraph 16).

The participants each shared similar experiences of their attempts to become an entrepreneur. Their stories were far removed from the narrative presented by the microfinance industry. The borrowers told of an uncertain and insecure life, where debts mounted up if they were not successful. The majority of borrowers' lives were not the same as the first participant in this chapter and not reflective of the narrative they are supposed to be living up to. The narrative and reality are divergent for those that attempted entrepreneurship with a loan. This reinforces my assertion that the narrative is only effective at a policy level in maintaining the hegemony of microfinance. On the ground, the economic realities present little alternative to those without jobs or opportunities.

<u>Alternatives to Entrepreneurial Microfinance</u>

> Why? Why would you do that [borrow money to start a business] if you had another option? People want jobs in companies, in the government. Not to sell things like this, it is poor work (Interview Transcript - Subject 24, Paragraph 38).

Entrepreneurship, at least in the way that microfinance borrowers conceive it, is nothing more than poor work for people with no other options. This was reflective of the attitudes of the loan officers. Those without formal employment were considered less worthy than those with jobs. Each of the respondents wanted to get back into paid employment and cease any trading activity they were doing. The narrative of entrepreneurship oversimplifies the lives and aspirations of the poor. Interviewees spoke of future family security, pensions, and sick pay, something basic trading with a loan would never provide. The narrative of entrepreneurship creates multiple false realities of the lives of the poor. They are cast as entrepreneurs and that their lives exist in simple de-politicised financialised terms. At a policy level, these ideas are dominant. The narrative works to maintain the hegemony of microfinance on those basic terms. The realities for borrowers are different, the expectations set by the narrative are absent from their understanding of taking loans. The loans are only ever a last resort when it comes to employment.

> It was not really something I liked the idea of, I don't like the idea of small business, it always seemed to low, not good for a proper life here (Interview Transcript - Subject 32, Paragraph 12).

> Yes, I want a solution to this life, I am not secure in my work, I am hiding from [NGO MFI], my mind can't take it much more (Interview Transcript - Subject 32, Paragraph 32).

> I wanted a job, maybe in a school or for the government. I am starting to think about the future and a pension (Interview Transcript - Subject 31, Paragraph 14).

The borrowers sought jobs, government jobs that provided security for them to be able to make long term plans and have families. Entrepreneurship was not the solution for them as borrowers and even less so a solution to the wider problems of unemployment being faced by Egypt. If Egypt wanted its people to live better lives it needed to provide steady jobs with regular incomes. The narrative of the entrepreneur reflects so little of the realities of those it talks of. The narrative is created to be consumed elsewhere than the front line. On the ground the thoughts of entrepreneurship are far removed from reality and the entrepreneurial narrative has no role in maintaining microfinance as a development policy. Recent events in Egypt, most notably youth-led riots citing concerns over the cost of living and employment opportunities, demonstrates that the narrative even at a policy level may be coming apart again already (New York Times, 2019).

Financial Inclusion – Low Income Employed and Hungry Consumers

The narrative of financial inclusion is based upon the moral imperative of including the excluded into the globalised financial world. As a development imperative, it is said to help the poor manage their finances because being poor was bad but being poor and not being able to manage money was now considered worse (Collins et al., 2009). I argue that the narrative of financial inclusion is created to assign moral value to the financialisation of poverty in support of wider neoliberal reforms. The NGO CEOs I interviewed talked of "social lending" when they lent to borrowers for school fees or healthcare, connecting a social good to high interest debt to pay for basic services. The narrative of financial inclusion, like that of the entrepreneur, constructs a simplistic view of life in poverty. The narrative obscures the neoliberal economic changes being enacted and fails to acknowledge the challenges of the poor borrowing money to pay for basic services. The majority of borrowers I interviewed for my thesis were borrowers of what I term financial inclusion loans, meaning the money was not for enterprise purposes.

Low Income Employed

> If you are looking from a growth perspective, low-income clients with jobs, that can service debt for housing, for health, for education, that is your key market. (Interview Transcript – Subject 18 IFI Representative, Paragraph 37).

The above quote was from an IFI representative talking of financial inclusion, clearly stating that the low income employed are the key market for MFIs. The loans are to improve borrowers lives with better health or schooling, assigning social good to debt. The following quote was from a borrower, who explained their loan was useful to spread the cost of expensive consumer goods.

> TVs are expensive, so we like to pay for things like that over a year, we have done it many times. It means we don't have to use our savings for big things (Interview Transcript - Subject 30, Paragraph 16).

I argue that the IFI representative's quote is the promotion of the narrative of financial inclusion, presenting loans to the poor as a tool for health and education. The quote from the borrower illustrates that loans are not considered a social good, just a tool to facilitate a basic standard of living. The narrative of financial inclusion needs to assign a social good to loans. Otherwise, the hegemony of microfinance is challenged as a development policy. Many of the participants in this thesis fell into the low income employed category and are relativity sophisticated financial consumers. They compare loan providers for interest rates and use debt to spread the cost of large purchases. They used loans to pay for white goods, private school fees, and in some cases healthcare. I asked them about the importance of the loan, reflecting the language of financial inclusion. They assigned no moral or special value to the loans, only stating that they were convenient in allowing them to consume.

> We have borrowed money from them [INGO] for a long time, 10 years maybe, I don't remember exactly. We borrow for many things, a television, a cooker, a fridge, a few times for my sons' school (Interview Transcript - Subject 35, Paragraph 5).

> Yes, always the same place for the loans, once they know you it is easy to borrow from them. I can just go and ask and then I can have the money in a few days. I can buy the television or an air conditioner and pay back week by week (Interview Transcript - Subject 35, Paragraph 12 - 13).

> Yes, sure, why not. Any time we need things I will borrow the money for. The payments are small, we can have our fridge straight away, it is easy (Interview Transcript - Subject 28, Paragraph 27).

> I have been a client of theirs for maybe 5 years or more. Usually, I borrow between 2000 L.E (US$125) and 4000 L.E (US$250) per time. I have been borrowing mostly to pay for my children's school fees, they take 2000 L.E (US$125) per term, my husband puts some from savings and we borrow some to share the cost (Interview Transcript - Subject 34, Paragraph 9).

The social value that the narrative attributes to the loans is not reflected in the borrowers' responses. The loans allowed them to consume goods more quickly than they otherwise could, like using a credit card. The 'social' loans that the CEOs presented allowed better-off borrowers to pay for private healthcare or for their children to attend private schools rather than the cheaper state alternatives. Both the health and the education market had been liberalised and opened to foreign capital as part of the first SAP. The SAPs acted as a mechanism to financialise poverty. These structural changes worked to maintain a role for microfinance on the ground. The narrative of financial inclusion at a policy level is relied upon to conceal the privatisation of services and the promotion of debt. Those far removed from the reality of poverty consume the narrative and the hegemony of microfinance is maintained. On the ground, the poor have little alternative but to pay for basic services. Their lives are financialised and they are given microfinance as a tool to participate. The economic base that has been changed by the SAP and CPF maintain the position of microfinance. The poor have no alternative but to borrow and the hegemony of microfinance is maintained by the neo-liberal economic base.

Market Making through the Microfinance Law

The IFI-developed microfinance law of 2014 limited the provision of financial inclusion microfinance to commercial MFIs. The law excluded NGOs, who were only allowed to lend for enterprise purposes. Evidence from the CEOs demonstrates that over 90% of the microfinance market in Egypt is for purposes other than enterprise. I argue that the 2014 law was the IFI's method of driving the majority of microfinance borrowers away from NGOs to the commercial MFIs. A key role of the IFIs is the promotion of a market economy and driving private foreign investment (Harrison, 2004). Through the 2014 law, the IFIs achieved this objective within the financial sector. On the ground this meant that borrowers of NGOs were now being asked to sign loan documents that stated they would run a business with the loan when they actually wanted a loan for consumption spending. The borrowers and the loan officers spoke of the uncomfortable situation where the borrower would lie about a business just to access a loan they had been repeatedly taking for many years. In some cases, the loan officers were coaching the borrowers on how to talk about their fake business.

> I have to lie to them really, I know they know I don't have a business; it all feels strange (Interview Transcript - Subject 35, Paragraph 15).

> My husband thinks we should try another place for loans next time, there are many around so maybe we should. It doesn't really feel decent the way it happens now; it feels like we do something wrong. I will see what happens next year when we go for it and decide then (Interview Transcript - Subject 34, Paragraph 23).

The result of the law was that borrowers were looking to move to private MFIs where they could borrow without the lies. The evidence from the borrowers demonstrates that the IFIs have acted as market makers for private capital and the narratives of microfinance have helped cover up the privatisation. The IFI's promotion of entrepreneurship at a policy level has distracted attention from the realities on the ground. The microfinance market in Egypt has been privatised and the narratives at a policy level have helped to achieve that privatisation. The entrepreneurial narrative and the social value assigned to loans by the NGOs has distracted from the realities of the financialisation of poverty.

<u>Financial Inclusion and the Low Income Employed, Development or Consumerism?</u>

> It [a loan] is not changing too much really, it is nice to feel like less expenses go out in one time, but it is not critical for us really. We have a good situation, my husband has a good job, we have most things we want. So maybe a bit easier but it is not too important (Interview Transcript - Subject 34, Paragraph 35).

The evidence from the low income employed demonstrates that the narrative of financial inclusion does not reach the level of the borrowers. The idea of social value at a policy level dominates the modern microfinance landscape, especially the SDGs (Mader, 2017a). I argue this works to maintain the hegemony of microfinance. The evidence from borrowers illustrates that microfinance is a financial tool that they are happy to pay for so they can access better goods and services. When I spoke to the borrowers about the value of their loans, their responses did not reflect the narratives presented by the CEOs. Microfinance loans were interchangeable with other types of credit like store credit. Microfinance loans were often cheaper and allowed borrowers to spread the cost of large purchases.

> I don’t use the store credit, I take a loan, plan the payments, 200 L.E (US$12) per week or whatever, and that’s it. I don’t feel it each week. If I take 10,000 L.E (US$625) from my savings, I see 10,000 L.E (US$625) less in my account (Interview Transcript - Subject 35, Paragraph 25).

> I am happy he [the son] can go to a good school so that is good (Interview Transcript – Subject 20, Paragraph 64).

The narrative of financial inclusion is not present on the ground, but some of the rationale behind it is. Borrowers did not view their loans as a social good but they did value their access to finance so they can consume in a market economy. The neoliberal economic base determined that the poor needed finance to improve their lives and the improvement defined as consumption. The SAP and the CPF have created a market economy and the lives of Egyptians have been slowly transitioned from their social contract with the government to a market-based economy.

<u>The Poorest of the Poor</u>

In my interviews with those that I term the low income employed, microfinance appears benign. Those on a moderately low income expand their consumption with a loan, not as a development imperative but because borrowers said they valued the ability to consume. As I stated in the introduction to this chapter, I made no official classification of poverty amongst the respondents but certain respondents indicated that borrowing was not as comfortable as for others. A group of borrowers told a more survivalist story of borrowing to make rent payments, pay for food, or get basic healthcare. These borrowers were also part of the financial inclusion narrative, not borrowing for enterprise purposes, but their stories were different to those who were employed. The goods they bought for the house were more basic than the white goods the other group purchased and, along with other purchases, they spend considerable sums on basic foodstuffs.

I borrowed this time 2000 L.E (US$125), I wanted to buy some things for the house, a ladder, buy some stock of my food, rice and things, for Eid mainly (Interview Transcript - Subject 25, Paragraph 9).

We paid rent, it is old rent, so it is cheap, we bought things for the house, food. Mostly just food, each week I use it to buy groceries, anything we need (Interview Transcript - Subject 27, Paragraph 17).

The borrowers in this group talked of their loans as being the last resort for expenses that they had to pay. Payments for healthcare were more frequent amongst this group of borrowers, indicating worse health and also a lack of insurance or savings to pay for emergencies.

I borrowed 2000 L.E (US$125) to pay for my husband's operation. He was very sick and needed an operation on his stomach (Interview Transcript - Subject 23, Paragraph 9).

I borrowed money to pay for medical expenses for my son, he had an accident, he needed treatment, so I had to pay (Interview Transcript - Subject 06, Paragraph 4).

The basic transactions amongst this group were the same as the low-income employed but the underlying reason was different. The aftereffects of the loan differentiated significantly. These borrowers demonstrated desperation and the malign nature of debt to the poor. The borrowers had borrowed to cover basic expenses or for emergencies but then struggled to meet repayments. This placed the borrowers under great stress, causing anxiety, marital problems, and even caused people to leave their homes to escape imprisonment for not repaying. The quick fix of debt left the borrower and their families in a more vulnerable position than when they started. The narrative of financial inclusion fails to account for the impacts of debt on the poor, when repayment needs to come from the existing already constrained income.

It [borrowing] was easy, and yes, it helped for sure, we could buy food, pay rent, it felt relaxing for the first few months, to have some money there. But once it was gone,

> then it became different, just a stress, a constant problem we had to face, it affected me with my friends, my husband, my family (Interview Transcript - Subject 27, Paragraph 29).

The poorer borrowers were all encouraged by the NGOs to explain that they ran a microenterprise with the loan. They had less bargaining power than those with formal employment and therefore were more frequently forced to participate in training programmes which they would pay for within the loan. The poorest had no choice but to use an NGO and the commercial MFIs would not lend to people who were informally employed or unemployed. NGOs would regularly send loan officers to borrowers' homes when they were unable to repay which isolated borrowers from their communities and was counter to any narrative of inclusion.

> When they [NGO MFI] keep coming to the house, calling, trying to get you to pay with money you don't have. It gets too much, so they are forced to. I don't like this idea, I want to finish this loan and then stop, it has caused too many problems, too much stress (Interview Transcript - Subject 27, Paragraph 27).

> I have too many loans now, too many. Thousands too many. I have some loans from [NGOs], 2 from there, and I have 3 from [NGOs], different parts. They are all causing me problems now, many of them. I needed the money in the beginning for my son, then it just went and went and went. They are looking for me and calling me (Interview Transcript - Subject 07, Paragraph 8).

The poorer borrowers were more likely to discuss the increasing costs they faced for education and particularly healthcare. The previous group had used the loans to access better private provision while this group of respondents were paying for the basic state service. They each shared that when they were younger, education and healthcare were free, either from the government or even provided by the same NGO they now borrow from. The change to a neoliberal market economy had left these borrowers more vulnerable and more excluded than they previously were. Their world had been financialised and they had been provided loans to be able to participate. They knew that their debt was unsustainable, and they felt they were becoming further excluded.

> What can I do, I have no option? I don't feel bad for the loan, I understand what I did to take it. It is expensive but there is no alternative. Before the hospitals were free, now we have to pay for everything. If my husband can work again all will be OK, if not soon we will have problems (Interview Transcript - Subject 23, Paragraph 27).

Evidence from the poorer borrowers I interviewed challenges the narrative of financial inclusion. Financial inclusion is supposed to help those who are excluded become included and the loans are supposed to be a source of social good. However, the poorest borrowers excluded by the market economy are made more vulnerable by the debt that they can barely afford. Financial inclusion is shown by this evidence as being no more than a policy-level narrative to cover up the financialisation of poverty. The realities for those that borrow diverge significantly from the narrative. It is not the social value that makes them borrow but the neoliberal economy in which they now live.

Conclusion - Voices from the Ground

Evidence from the interviews in this chapter demonstrate that the narratives of microfinance do not resonate with borrowers. At a policy level, the narrative of entrepreneurship maintains the hegemony of microfinance through the promotion of the idea of the poor as entrepreneurs. Evidence from the borrowers illustrates that the narrative is not reflective of reality. Borrowers that borrowed to start a business told of challenges and the implausibility of escaping poverty through their business. The narrative of financial inclusion at the level of the CEOs was hegemonic. The evidence from borrowers shows that the loans hold no greater utility to the borrowers than the goods they pay for. I argue that the narrative of financial inclusion also plays a role at a policy level to maintain the hegemony of microfinance and cover up the financialisation of poverty. The microfinance industry promotes narratives at a policy level which work to maintain the hegemony of microfinance. The narratives conceal the expansion of neoliberal capitalism through structural adjustment and help hide the realities that adjustment creates for the poor.

I argue that the entrepreneurial narrative at a policy level in Egypt is hegemonic and plays a role for the IFIs in supporting the continuation of microfinance. The realities of entrepreneurial microfinance for borrowers are divergent and the narrative fails to reach the front line. The realities of entrepreneurship presented by the borrowers I interviewed demonstrate the complex nature of bottom of the pyramid entrepreneurship. Complexity which the narrative removes from sight. At a policy level, there is something compelling about the entrepreneurial narrative. The IFIs representatives confidently stated that microfinance for enterprise would solve the problems of Egypt. However, when borrowers are asked about the realities of starting a microenterprise with a loan, their responses do not reflect the rational choice of an entrepreneur but speak of a situation in which they have no other option than to try to survive.

The narrative of financial inclusion at a policy level is hegemonic and the presence of the narrative in the SDGs demonstrates that position. The interviews with the CEOs further support that conclusion. The CEOs promoted the social good of their loans. They were convinced that the borrowers' lives were improved by them. Evidence from my interviews with the borrowers demonstrates that the narrative is a construct and bears no resemblance to their lived realities. The borrowers' responses illustrated that loans under the narrative of financial inclusion facilitate consumption in a market-driven economy. The loans allow the working poor to expand their purchasing power and access new commercial goods or private education. For the poorest, the economy in which they now live is financialised and the loans offer inclusion but only because the economic structure has excluded them. The poor are forced into more vulnerable positions than when they relied on the state for health and education. Financial inclusion is a narrative at a policy level which the IFIs have relied upon to cover up structural economic change. The reality for those that are to 'be included', is that their lives are now financialised, and they have little choice but to pay private providers for basic public services.

Evidence from the borrowers of microfinance demonstrated that the narratives of microfinance are not designed to be consumed at the front line. The narratives are carefully crafted for consumption at a policy level far removed from the realities of microfinance. At a policy level those narratives are hegemonic and they allow for the continuation of microfinance as a development policy. The role of narratives for the microfinance industry is key. I argue that they work to disguise the financialisation of poverty. The industry in Egypt relies on the positive associations assigned to entrepreneurial microfinance to create favourable perceptions of microfinance at a policy level. The MFIs maintain that their loans for financial inclusion are a social good, yet the market is opened up to private capital for expansion of consumption and the financialisaton of poverty. My research demonstrates that without the narratives, microfinance is just high interest debt to the poor. At a policy level this is unpalatable but once a narrative assigns it a social good, high interest debt to the poor can become a widely supported development policy. Whilst the narratives maintain hegemony far removed from the reality of the borrowers, what maintains the hegemony of microfinance in their world is the lack of alternatives now their lives have been financialised.

Chapter 9 - Have We Sold the Poor the American Dream?

The Narratives of Microfinance

This thesis has investigated the role of narratives in the maintenance of the hegemony of microfinance in Egypt. The aim was to better understand how, as I perceived it, the microfinance industry relies on narratives to keep microfinance as a core development policy while covering up the financialisation of poverty. The evidence I gathered demonstrates that the industry promotes narratives which, at a policy level, work to maintain hegemony whilst on the ground the narratives fail to resonate. Microfinance is shown to be little more than high interest debt to the poor. The reliance on the narratives by the microfinance industry has enabled microfinance to become a large part of mainstream global capital and facilitate the financialisation of poverty, all under the guise of a development policy.

The Research

Central to my research is the assertion that microfinance is hegemonic as a development policy. This point is based on the continuing use of microfinance as a development policy, its credibility among policy makers, and the position it holds in the framing of the SDGs. The World Bank, the IMF, USAID, DfID and others continue to position microfinance as a critical development policy in the fight against poverty and exclusion (ACCION, 2008b; CGAP, 2012; WBG, 2017; IFC, 2019; GPFI, 2020; DfID, 2019) despite evidence against it. My past experiences working with microfinance showed me the realities of debt to the poor. Using Gramsci's theory of hegemony, I began to view the narratives as tools for the industry to assign positive roles to debt and distract from those realities. The entrepreneurial narrative in the 1980s established microfinance as a positive tool for development. The 2014 Egyptian government's strategic development plan capitalised on that narrative to try and convince the youth that their problems were being addressed. The IFIs and the Egyptian Government recreated and promoted the image of the poor entrepreneur and cited research that was undertaken over 30 years before (Yunus, 1999). The narrative of the entrepreneur has been disproven (Banerjee et al., 2015: 3), but in Egypt at a policy level, it is still promoted, and works to maintain the hegemony of microfinance. Since the entrepreneurial narrative was disproved, the IFIs globally have promoted a different narrative, that of financial inclusion. The aim not to support entrepreneurship but to provide sustainable financial services to the poor as a social good (CGAP, 2001; ACCION, 2008b; WBG, 2014; 2017; DfID, 2019; CGAP, 2019b; GPFI, 2020). The financial inclusion narrative has been promoted by the industry to provide a continued rationale for microfinance as a development policy.

Gramsci's theory of hegemony is the framework I used to analyse the narratives of microfinance. Morton's interpretation of Gramsci, "the articulation and justification of a particular set of interests as general interests" to exercise power and control (Morton, 2007:113) was especially insightful in framing my research. I have demonstrated how the microfinance industry promotes their own interests as the interests of the poor borrowers, illustrating Morton's definition. Gramsci's other work has contributed to analysis and my understanding of the conditions which support hegemony. His conception of the economic base and superstructure has provided a deeper understanding of the hegemony of microfinance, providing insight into the continuation of microfinance where those narratives play no discernible role.

The aim of this thesis was to better understand the role of narratives in the maintenance of the hegemony of microfinance in Egypt. Microfinance is high interest debt offered to the world's poorest, with profits going to the world's richest. However, when overlaid with a narrative, it is positioned as a tool for the entrepreneurial poor to help themselves out of poverty or for the excluded to gain inclusion. My research has shown that the narratives of microfinance make debt to the poor a logical choice, at least at a policy level. To understand the role of narratives in that process and to observe at what levels they were present, I interviewed participants from all levels of the microfinance industry. From the IFIs to the borrowers, I worked to obtain their perceptions of the narratives and their experiences of using microfinance.

The Evidence

Over a period of two years, I gathered evidence from the microfinance industry in Egypt. I interviewed representatives from IFIs, CEOs from large MFIs, loan officers as well as borrowers. I explored the hegemony of microfinance through the narratives the industry promotes. I used semi-structured interviews to provide a deep understanding of the influence the narratives had on participants and used that understanding to investigate my argument. I undertook my research to answer this core research question:

- What role do narratives play in maintaining the hegemony of microfinance in Egypt?

In Egypt, the narratives of microfinance run in parallel. The entrepreneurial narrative is the policy narrative yet the narrative of financial inclusion is shown to be part of the wider role of microfinance. The entrepreneurial narrative among the majority of the IFI representatives was itself hegemonic. The terms of the narrative were present in their collective *senso comune*. The evidence I gathered in my research further demonstrates that the IFIs, along with the government of Egypt, are supported by the entrepreneurial narrative as a tool at a policy level. The narrative works to affect the *senso comune* of the youth by promoting ideas that entrepreneurship is their path to employment. The NGO MFIs also promote the entrepreneurial narrative as by law they are mandated to. The CEOs stated that their MFIs had grown financially over the last 15 years not by using the narrative of entrepreneurship but by offering financial inclusion. The CEOs presented the narrative of financial inclusion as their chance to support the poor. The narrative was ingrained in their belief that microfinance is a social good for the poor.

My argument was strengthened by the evidence from the commercial MFI CEO. Commercial MFIs had no need to promote a narrative to promote their loans and could advertise or offer consumer loans to the poor. One CEO demonstrated that the narrative of entrepreneurship had a significant value in their MFIs position within the industry. The commercial MFI promoted the narrative of entrepreneurship despite them stating the reality was not reflected by it. The CEO claimed that entrepreneurial microfinance could not achieve the role it set out to achieve yet he promoted it publicly because it created positive associations with debt. The evidence from interviews with tier one and two participants illustrates clearly that the industry relies on narratives to maintain microfinance as a hegemonic development policy.

In my interviews with those on the front line of microfinance, the evidence demonstrated divergent reasons for engaging with microfinance. The terms of the narratives were not present in their collective *senso comune* and therefore played no discernible role in maintaining its hegemony. Both loan officers and borrowers demonstrated that the narratives were not present in their daily interactions with loans except as an administrative burden to those dealing with NGOs. The maintenance of the hegemony of microfinance on the ground was shown to be not through the altered *senso comune* of the loan officers and borrowers. Borrowers did not see themselves as entrepreneurs and loan officers did not present their role as one of creating employment amongst the poor. What was demonstrated was that the hegemony of microfinance on the ground was influenced by the impact of structural adjustment policies on the economic base. The neoliberal economic system that the poor of Egypt now lived in meant that, for borrowers, microfinance was a necessary tool to pay for basic goods and services. The SAP and CPF had financialised their existence and there are few alternatives to microfinance for the poor, forcing them to participate.

The Narrative of the Entrepreneur

At a policy level, I argue that the narrative of the entrepreneur is both a tool to maintain the hegemony of microfinance as well as being itself hegemonic. The narrative in Egypt is promoted by the IFI representatives as a solution to unemployment, especially for the youth. Evidence from my interviews with the IFIs demonstrated that the narrative was present in their collective *senso comune*. They each stated that microfinance, along with training, would impact both employment and poverty in Egypt. My research shows that the narrative is further promoted by the Government of Egypt and supported by universities, NGOs, and the media. I use Cox's (1983) definition of the mechanisms of hegemony to observe the promotion of narratives through civil society as an action designed to reinforce hegemony. Whilst the narrative is hegemonic at the policy level, there is also evidence it is a tool. Details of the IFI interviews illustrated that rather than presenting a real solution, the narrative was part of an attempt to have the youth believe that entrepreneurship was an answer to unemployment. The IFI representatives understood the situation in Egypt and knew that promoting loans without jobs as an outcome would not have been agreed upon by the Egyptian government.

I argue that the IFIs along with the Government of Egypt rely on the narrative of entrepreneurship not only as a tool to maintain the hegemony of microfinance but to disguise the financialisation of poverty. In promoting the narrative, they work to convince the population that action is being taken to address unemployment and poverty. In reality, I demonstrated that the focus on entrepreneurship provides a cover for structural economic changes. Fearful of the power of the youth, the Egyptian Government needed a tool to convince them that a solution had been implemented. Whilst promoting microfinance as a solution, the IFIs and the government work to enact changes under the CPF that would negatively impact the Egyptian people. At a policy level, the entrepreneurial narrative works to distract attention while key public services are privatised, markets are liberalised, and civil service is reduced. Through the CPF and under the narrative of entrepreneurship, the microfinance market was liberalised and privatised, opening up the market for greater profits from lending to the poor.

The CEOs of the NGO MFIs in Egypt further promoted the narrative of entrepreneurship, demonstrating more clearly that it is a tool to maintain hegemony rather than a tool for enterprise. They are forced by the law to lend only for enterprise and so they promote the narrative, yet the evidence they provided illustrated it was at odds with their lending activities. The CEOs explained that while they promoted the narrative, they did not believe it was effective in its aims. Their operations were at odds with the narrative, their clients demanded loans for school fees, medical bills and white goods, things that the CEOs claimed were socially important for their borrowers. One of the CEOs escorted me to visit a borrower who ran a successful business with a microfinance loan. This borrower was the embodiment of the narrative. The visit provided me with an understanding of the persuasiveness of the narrative. The story was reminiscent of those told by the industry over the past 30 years, I felt it was designed to show me as a researcher the effectiveness of microfinance. Whilst the NGO CEOs were forced to use the narrative of entrepreneurship, the real value was clearly demonstrated in the interview with the commercial MFI CEO. Despite stating his MFI's motive was profit, he used the positive associations of the entrepreneurial narrative to overlay their lending activities and give a false moral cloak to the loans. The CEOs demonstrated that at an operational level the narrative of entrepreneurship was not a reflection of the reality of microfinance. But at a policy level, in their MFI's communications and research, the narrative played a key role in allowing their businesses to remain profitable and avoid negative associations.

The evidence from loan officers as well as the borrowers confirmed my argument that the narrative on the ground is not present. The loan officers were aware of their legal obligations under the 2014 law but those obligations are shown to be little more than a form-filling exercise. The loan officers confirmed that despite the law change, NGO borrowers still borrow for consumption. They are now coerced into signing paperwork which claims they are entrepreneurs but the loans are for anything but an enterprise. My interviews with borrowers provided the same evidence. Borrowers were asked to sign forms stating their loan is for business use when they were looking to pay their children's school fees or buy something new for the home. The few borrowers that had attempted entrepreneurship with a loan had failed and explained that the likelihood of their success was low based on the political economy in which they operate.

The evidence gathered regarding the narrative of entrepreneurship illustrates its role at a policy level. The IFIs and MFIs, along with the Government of Egypt promote the narrative to affect perceptions of political actions and to conceal the financialisation of poverty. In practice, evidence from loan officers and borrowers demonstrate the narrative plays no role in the hegemony of microfinance nor is reflective of reality. Therefore, I argue that the narrative is both hegemonic and plays a key role in the maintenance of the hegemony of microfinance at a policy level but plays no role on the ground. The narratives of microfinance work only amongst populations far removed from the everyday use of microfinance. The narratives work to persuade those not directly affected to think that microfinance and entrepreneurship was a viable solution to unemployment for the poor. On the ground, evidence from the loan officers and borrowers shows that the narratives play no role in the hegemony of microfinance. Their responses illustrate that it is the neoliberal economic system, created by the SAP and CPF, that means microfinance has a continued role in the lives of the poor.

Financial Inclusion

As I have argued, the narrative of entrepreneurship is both hegemonic and a tool to maintain the hegemony of microfinance. Conscious of the employment challenges facing Egypt, the narrative provides political value and acts as a distraction from the financialisation of poverty. The narrative of financial inclusion, which globally is the IFIs primary policy narrative, needed to be a secondary narrative in Egypt. As one IFI representative stated, a push for loans without jobs would not have worked to address the Egyptian government's concerns. Consumer loans, under the narrative of financial inclusion, are what I argue is the financialisation of poverty. The provision of these loans has been offered to the private sector in Egypt by the 2014 microfinance law. The IFIs have relied on the narratives to create the perception that entrepreneurship was the main use of microfinance in Egypt. However, my evidence revealed that over 90% of Egyptian microfinance is not for enterprise purposes and now was only accessible via commercial MFIs. The IFI representatives provided evidence that entrepreneurship was key in Egypt yet they quietly confirmed that financial inclusion was the largest microfinance sector. At a policy level in Egypt, the narrative of financial inclusion is hidden and currently only plays a limited role for the industry there.

Financial inclusion at a policy level is missing from the discussions in Egypt, but the NGO CEOs gave evidence of the role that the narrative should play for their MFIs. The interviews revealed that the CEOs saw great value for their clients in the social loans, for paying school fees, accessing health care, and facilitating other types of consumption. Evidence from the NGO CEOs illustrated that the narrative of financial inclusion was present in their collective *senso comune*. The CEOs implied they used the entrepreneurial narrative to comply with the law but continued to offer consumption loans because they were of great social importance to their clients.

The commercial MFI participant provided a different perspective on financial inclusion. They explained that their loans, designated financial inclusion by the IFIs, were not for any social good but for MFI profit. Evidence from that interview demonstrates that financial inclusion according to the commercial sector is a narrative, MFIs should not be considered a method of social inclusion but a provider of financial services. The evidence from the commercial MFI

CEO supports my argument that the narratives of microfinance are tools which help the industry to cover up the financialisation of poverty. Loans without a narrative would fail to position microfinance within the SDGs and therefore would fail to maintain its hegemony at a policy level. The commercial MFI CEO was aware of that and promoted a narrative, counter to the loans they offered, to ensure that their business was connected with the positive associations.

As with the entrepreneurial narrative, the notion of financial inclusion did not reach the front line. Both loan officers and borrowers failed to recognise any of the positive social traits that the narrative assigns to debt. The loan officers facilitated the lending of money to borrowers with no reference to the social good of their act. They lent money so borrowers could expand consumption and pay for goods and services. The borrowers confirmed this, whilst some borrowed and attempted enterprise, the majority borrowed to pay for goods and basic services. The borrowers confirmed that they were taking loans not because they wanted to be included but because it was often the only means available to pay for the once free public services. On the ground, the narrative of financial inclusion was not present in the *senso comune* of the poor and was of no value to the microfinance industry. As previously stated, what maintained the hegemony of microfinance on the ground was the economic base that had been created for the poor by the SAP and CPF.

The SAP and CPF have delivered a growing market for MFIs, MFIs have become full financial service providers for the poor. The narrative of financial inclusion has supported the industry in ensuring that financial service provision remained favourable and a key development policy. The realities shared by those on the front line of microfinance demonstrate that the narrative is nothing more than a cover, at a level higher up the chain, for the financialisation of the world the borrowers live in. The realities of life for the poorer parts of society are not reflected in the social good attributed to financial inclusion. Loans are taken by the poor to pay for basic services which they can no longer afford. Financial inclusion without the narrative is closer to payday lending than to the imperatives of development policies. Financial inclusion on a global scale is a policy narrative designed to mask the financialisation of poverty.

What Role do Narratives Play in Maintaining the Hegemony of Microfinance in Egypt?

Microfinance is highly profitable, aligns with neoliberal development policy, and works to open markets while supporting the financialisation of poverty. On the basis of the evidence uncovered during my research, I argue that this statement is the reality of microfinance, minus its narratives. My research has demonstrated that the microfinance industry relies on narratives at a policy level to influence perceptions of debt to the poor. It is the narratives of microfinance that work to maintain its hegemony at a policy level, associating hope and inclusion with debt. The realities on the ground present a different reality, microfinance is often the only option for the poor whose lives have been financialised. They are a captive and expanding market which makes the business of microfinance profitable. Microfinance is not only profitable. It is also a powerful political tool for those involved from a governance perspective. NGO CEOs explained that they, and their board members, are afforded significant political influence by their access to their large client base. Industry insiders have considerable political capital and use it as a means by which individuals drive their own private business interests forward. My research has shown that the hegemony of microfinance is valuable to those involved for both profit and power.

Microfinance, as illustrated in the literature review, has been shown to be anti-poor and anti-development (Bateman, 2010b), yet is still a favoured development policy and central to the SDGs. Using Gramsci's theory of hegemony to investigate the microfinance industry and the role of narratives has allowed me to better understand how the industry maintains and justifies its relevance. I argue that the narratives of microfinance are hegemonic at a policy level. The evidence I gathered from the IFIs and CEOs demonstrated that. The IFIs stated that entrepreneurship could solve the problems of unemployment in Egypt and the CEOs of NGOs believed that their loans were a social good. The narratives were present in their collective *senso comune*, microfinance was not just debt but a tool for enterprise and inclusion. Through Gramsci's lens, I view the narratives as hegemonic as well as being tools to maintain that hegemony. The narratives are promoted by the mechanisms of hegemony, the IFIs, NGOs, research, the media, and education. Their promotion allows them to gain support among the populations far removed from the everyday operation of microfinance.

My research has also demonstrated that, on the ground, the narratives of microfinance are not what maintains its hegemony. The loan officers and borrowers demonstrated that the narratives were neither present nor representative of reality. The loan officers showed little understanding of the narratives their CEOs promoted other than the legal obligations they now had to comply with. The borrowers demonstrated little adherence to the narratives. Their loans fulfilled none of the aims attributed to debt. The loans offered the poor opportunities to expand their consumption or to pay for services that once were free. The reason microfinance is successful at an operational level can be attributed not to the narratives but the lack of alternatives for the poor who live in post-adjustment neoliberal societies. The economic base has been altered and it has changed the realities for the poor. The superstructure promotes narratives that work to shape *senso comune* and support changes to the base at a policy level but on the ground the economic base is the determinant of the actions of the poor.

Narratives rhetorically soften the harsh realities of neoliberal development, making debt to the poor seem benign to those far removed. I argue that the narratives gain popular consent through the arguments made in favour of microfinance by a wide range of figures, including academics, the media and even celebrities, eventually the narrative becomes fact at a policy level (Hossain and Salimullah, 1984; Hossain, 1988; Soto, 1989; Yunus, 1989; Todd, 1996; Pitt and Khandker, 1998; Yunus, 1999; Alexander, 2001; Dunn and Arbuckle, 2001; Snodgrass and Sebstad, 2002; Pitt et al., 2003; Kaboski and Townsend, 2005; NYT, 2005; Pitt, Khandker and Cartwright, 2006; Kondo, 2007; McKenzie and Woodruff, 2008; Bruhn and Inessa, 2009; Syed, 2009; Roodman and Morduch, 2009; NPR, 2010; Roodman, 2012; Khandker, 2012; Hossain et al., 2013; McKenzie, 2015). The case of Egypt has shown that the popularity of the narrative of the poor entrepreneur championed by Yunus (1999), repeated by Bono (NYT, 2005) and now disproven by many (Osmani, 1989; Quasem, 1991; Goetz and Gupta, 1996; Morduch, 1998; Rahman, 1999; Hulme and Arun, 2009; Karlan and Zinman, 2009; Bateman, 2010b; Duvendack et al., 2011; van Rooyen, Stewart and de Wet, 2012; Bateman and Chang, 2012; Sinclair, 2012; Garikipati, 2013; Bateman, 2014; Duvendack, Palmer-Jones and Vaessen, 2014;

Banerjee et al., 2015; Mader, 2015; Banerjee, Karlan and Zinman, 2015; Bateman and Maclean, 2017), is still hegemonic in development policy.

At a policy level, it is the narratives of microfinance that maintain its hegemony. Its extensive inclusion in the SDGs is contingent on it fulfilling the tasks assigned by those narratives. Without the narratives, microfinance laid bare is payday lending to the poor. Gramsci's theory has been instrumental in understanding microfinance in that way, separating the narrative from the reality. Narratives assign positive attributes to debt and the process of hegemony ensures that those narratives affect the *senso comune* of certain groups. In understanding the mechanisms of hegemony, I have been able to view the narratives as a tool which works to cover the financialisation of poverty in the name of development. The borrower's stories demonstrate that on the ground, narratives play no role in the hegemony of microfinance. They borrow because of the neoliberal economy in which they now live.

Reflections

The idea for this research was developed while I was working in the finance industry, supporting IFIs and MFIs in funding their operations. Throughout that period, I went from being an advocate of microfinance to someone confused about why the intervention failed to achieve the goals it set. I wanted to understand how, despite all its failings, microfinance remained strongly positioned in the development agenda. Reading Gramsci's theories led me to view microfinance in a conceptually different way, separating the narratives from the intervention. Microfinance is a tool to support neoliberalism and to financialise poverty while the narratives are tools to facilitate that process. The narratives have convinced the development sector that loans unequivocally help the poor. Five of the SDGs are contingent on the imagined impact of microfinance. My research has separated the narrative from the intervention and enabled me to argue that microfinance amounts to the financialisation of poverty, keeping the poor in a cycle of debt as they pay for the implementation of structural adjustment.

The foundations of microfinance are based on the political economy within which it originated. I argue that it has always been a tool for structural adjustment more than it was a tool for entrepreneurs or to foster inclusion. The position microfinance has in the lives of the poor is not because it has value in either of those areas but because it provides means to pay for education, healthcare, and other basic goods and services. The SAP and CPF in Egypt changed the economic base within which the poor live, as they have for many people across the world. It is the neoliberal system which creates the market for microfinance. The narratives only operate at a policy level to allow the financialisaton of poverty to occur under the guise of development. My research has opened discussion on the role of narratives in the hegemony of microfinance. It moves the debate away from the impact studies undertaken to prove or disprove microfinance and places focus on the politics that requires microfinance to exist.

Directions of Future Research

Microfinance research is still predominantly focused on intervention as a tool to achieve positive outcomes for the poor. My research has worked to move that debate on by arguing that those positive outcomes are largely imagined in the industry's narratives and do not reflect the lived reality of borrowers' lives. The evidence presented aligns my arguments with the financialisation of poverty school, critically viewing microfinance as a tool to integrate the poor into the global financial markets rather than being a tool for social improvement. My research has demonstrated that the microfinance industry relies on unsubstantiated narratives to maintain the view that intervention in the lives of the poor when the realities suggest otherwise.

My contribution to the literature has been to explore the role of narratives within microfinance in order to better understand the industry's continued dominance. It is these narratives of microfinance that assign positive roles to borrowing and continue to justify interventions that trap the poor in debt. Viewing the professed outcomes of microfinance – entrepreneurship, business growth, poverty alleviation, social and financial inclusion – as 'hegemonic narratives' can change the way critical researchers understand the implications of microfinance on the poor. Conceptualising these narratives as tools with which the industry facilitates the ongoing dominance of microfinance in development provides an explanation as to its ubiquity. This research recasts the way in which those critically engaged with microfinance can view interventions.

My research offers insights for those looking to challenge the seemingly unstoppable progress towards the financialisation of poverty, allowing for a more considered understanding of the implications of microfinance. Given the pervasiveness of the microfinance model, my research will allow critical scholars, policymakers, and development sector professionals to challenge the narratives that sustain the sector. Understanding microfinance's hegemony within development, and its narratives as tools, will enable counter narratives to develop. Viewing microfinance as debt and the industry's narratives as tools that have created positive associations enables those looking to challenge microfinance to interrogate these narratives. If narratives are socially defined stories (Hinchman and Hinchman, 1997:16), their disconnect with reality will become the point by which the logic of microfinance can be challenged.

As part of the financialisation of poverty school, I argue that more attention is required to investigate the narrative of financial inclusion. The narrative of entrepreneurship had a plausible economic underpinning. Hypothetically, if the poor were entrepreneurs, they could borrow money and start businesses. It could be positioned as a poverty alleviator or an employment generator. Whilst these ideas have been disproven empirically, it had a logical theoretical foundation. The narrative of financial inclusion is less clear cut and less well articulated and the impact, if any, would be more difficult to define than that of entrepreneurship. Yet, despite the weak underpinnings, the microfinance industry has integrated financial inclusion into the SDGs with the support of narratives. The intensive inclusion of personal debt with the attainment of the SGDs is an aspect of them that requires greater scrutiny and public awareness. Financial inclusion as discussed throughout this thesis was defined in the introduction as the social value attributed to loans which are currently the largest part of financial inclusion activities (Mader, 2017a: 3). Whilst the agenda does stretch much further, critics often describe the loans as just a rebranding of entrepreneurial microfinance (Bateman and Chang, 2012: 68). Financial inclusion as a narrative creates positive associations with financial services for the poor. Financial inclusion brings loans, bank accounts, savings, mobile money, financial literacy, and a range of other services provided by powerful public and private global actors into the lives of the poor.

The narrative of financial inclusion uses a rights-based language of justice to argue for the inclusion of the excluded. The World Bank, the IFC, USAID, DfID, ACCION, GCAP, and others promote full financial inclusion because "access to these services enables consumers to acquire productive assets, invest in health and education and make other purchases that enrich their lives" (DfID, 2019). GCAP, The Consultative Group to Assist the Poor, is a consortium of 30 of the world's largest development actors. Members include 15 national development agencies from the UK, Germany, France and others, companies like MasterCard and Visa, banks like Crédit Suisse and UN agencies like UNDP and the UNCDF, all promoting a well-funded rollout of financial inclusion (Mader, 2016; 2017a). GCAP argues that "One in three of the world's adult population lacks the financial services they could use to dramatically improve their lives" (CGAP, 2019b). Financial inclusion is described by CGAP as key to "achieving the United Nations' Sustainable Development Goals of improved education, better health, food security, access to clean water and more" (CGAP, 2019b).

CGAP and other financial inclusion supporters consider market-based services as a *fait accompli*. Improved education or better health care no longer public services but market goods paid for by microfinance. Their promotion of strong emotive narratives is reflective of the power put behind the entrepreneurial narrative in the early stages of the industry. The narrative claims that financial services could dramatically improve the lives of the poor yet fail to determine what that dramatic improvement might be. If the improvement they describe is the ability for the poor to pay for privatised services such as education, health, and water, then it would be necessary to determine why the poor might have to pay for those services in the first place. The World Bank (2018a) encourages borrowers to take loans to pay for basic commodities such as clean water and latrines, stating the poor should take debt to pay to improve their lives. The economic changes that require the privatisation of services are supported and promoted by many of those who are part of GCAP. Structural adjustment was and still is the catalyst for the proliferation of microfinance. The wider development industry is extending the reach of markets. What has changed between the microfinance of old and the latest push for financial inclusion is that the debt is provided by global investors. Global capital invests in financial inclusion microfinance which generates a significant financial return extracted from the poor. This is a change in sentiment from the stories once told by

Mohammed Yunus. Narrative analysis can be used by critical researchers to illuminate the extent to which microfinance is a corporate industry, literally banking on the poor for profit.

Those interested in further challenging the narratives of microfinance could leverage my research to explore more deeply the way the national legislative frameworks impact the organisation of MFIs. In Egypt, narratives supported a change from NGO to private sector financial inclusion, associating ambitions of entrepreneurship with the expansion of debt. My research demonstrated that the commercial sector benefited from changes in the Egyptian legal framework. Those interested in exploring the financialisation of poverty through microfinance could continue this research to understand if this was an Egyptian anomaly or a global trend. A better understanding of the role of the narratives of microfinance globally will enable those critically engaged with microfinance to view it as financialisation rather than an expansion of a development intervention.

I have demonstrated that the microfinance industry is supported by narratives which help to maintain global neoliberal hegemony. Those interested in challenging or at least better understanding the drive towards the financialisation of poverty can build on this research. I have argued that the global financial industry, including banks and payment providers, are controlling the financial inclusion agenda by assigning social value to loans for the poor that they themselves make a significant profit from. These claims should be tested. Obviously, my research was based on a single country case study. More research is needed in order to extrapolate and test my conclusions across a broader set of examples and cases. The use of my framework as a tool for future study can facilitate a far deeper understanding of the nature of microfinance if used in conjunction with additional empirical data. Research that understands microfinance in this way can cast light on the realities of people's lived experiences and thereby challenge the mechanisms by which poverty is being financialised.

Conclusion – Have we sold the poor the American Dream?

The evidence presented in this thesis demonstrates how the microfinance industry relies on narratives to maintain hegemony at a policy level. Whilst the narratives of microfinance work to convince those far removed from the front line that microfinance is a tool for development, those narratives fail to resonate on the ground. On the ground, the realities of high interest loans to the poor are divergent from the narratives. The economic environment in which the poor live is the determinant of the hegemony of microfinance. The microfinance industry has promoted narratives to support structural adjustment programmes in Egypt, covering the financialisation of poverty with positive associations of entrepreneurship and inclusion. The narratives have allowed something that could be considered malign to be sold as something not only benign but of great value to those that access it. The evidence I have presented within this research has answered my research question and identified the role of narratives in maintaining the hegemony of microfinance.

Using Gramsci's theory of hegemony to view microfinance in relation to its narratives has allowed me to understand microfinance as the equivalent of payday lending, differing only in the sense that it is undertaken in the global south. Yet with the narratives overlaying the transaction and the borrowers being far removed from those the narratives speak to, that transaction can be sold globally as a social good, a step towards achieving the SDGs. The narratives are hegemonic at a policy level and their terms were present in the *senso comune* of the policy makers. On the ground, however, the narratives do not need to be hegemonic. Those that the narratives speak of only have limited options when making economic choices. The economic base has been altered to allow for neoliberal capitalism to determine how basic transactions occur and the financialisation of poverty ensures that microfinance is always 'needed' by borrowers.

The title of my thesis is 'Have we Sold the Poor the American Dream?'. I conceived of that question when I first started researching microfinance. I asked myself whether the poor understood and lived the narratives of microfinance. What my research has told me is the opposite: that the poor have been forced into a market-based economy and have to borrow to pay for the most basic of services. I argue that to achieve that position, the microfinance industry has sold the poor's American Dream to the policy makers who continue to advocate for microfinance and maintain its hegemony.

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Appendices

Appendix 1 – Interview Schedule

Code Number	Sex	Age	Location	Date of Interview
IFI Representatives				
Subject 02	B	C	A	05/03/2016
Subject 10	A	C	A	22/06/2016
Subject 12	B	B	A	25/06/2016
Subject 16	A	B	A	05/02/2017

Subject 18	B	C	A	06/03/2017
CEOs				
Subject 01	B	C	C	02/03/2016
Subject 11	B	C	A	25/06/2016
Subject 15	B	C	A	10/09/2016
Subject 17	B	C	A	05/03/2017
Subject 19	B	C	A	04/04/2017
Loan Officers and Field Staff				
Subject 03	A	B	A	12/03/2016
Subject 04	B	B	B	10/05/2016
Subject 05	A	C	A	10/05/2016
Subject 08	B	B	C	20/06/2016
Subject 09	B	B	A	20/06/2016
Subject 33	B	B	A	05/01/2018
Borrowers				
Subject 06	B	D	A	12/05/2016
Subject 07	A	D	B	12/05/2016
Subject 13	B	A	A	25/06/2016
Subject 14	B	C	C	01/09/2016
Subject 20	A	D	A	12/04/2017
Subject 21	A	D	A	12/04/2017
Subject 22	A	C	A	13/05/2017
Subject 23	A	B	D	15/05/2017
Subject 24	B	B	C	21/05/2017
Subject 25	A	C	A	01/07/2017
Subject 26	B	D	A	04/07/2017
Subject 27	A	C	B	09/07/2017
Subject 28	B	C	B	01/10/2017
Subject 29	B	C	B	04/10/2017
Subject 30	A	D	B	09/10/2017
Subject 31	A	B	A	12/11/2017
Subject 32	A	A	C	05/01/2018
Subject 34	A	B	A	07/01/2018
Subject 35	B	C	A	08/01/2018

Age Code	A	B	C	D
	15-25	26-39	40-59	60+
Location Code	A	B	C	D
	Cairo	Giza	Alexandria	Delta
Sex code	A	B		
	Female	Male		

Appendix 2 - Draft Interview Guide for IFI Participants

Themes	Guiding Themes	Opening Statements	Follow Up Statements	Notes
Entrepreneurship	*Business Development* *Employment* *Cash Flow* *Investments* *Economic Growth*	•How do you view the role of microfinance here in Egypt? •How have you worked with the Government to support the growth of microenterprises?	•How do you perceive the impact of loans on microentrepreneurs? •How do you feel the loans help business growth of simple trading activities? •What do you see the role of (IFI) being here in Egypt? How do you measure that impact? •Have you experienced times where the impact has not been seen in the wider communities as you expected? •What are your experiences in working with Egyptian MFIs?	Aim to work in the specific reports issued by their IFI regarding entrepreneurial microfinance. Focus on understanding their role in the process and the perceptions of the impact the loans have on entrepreneurs.
Poverty Alleviation	*Jobs and Income* *Social Improvement*	•Is Microfinance able to address the deeper issues associated with poverty in Egypt? •What is the role of microfinance in sustainably addressing poverty and unemployment?	•Do you feel that entrepreneurs are able to escape poverty? • In your experience, have you seen examples of the poor becoming successful entrepreneurs? • How sustainable do you feel that reduction	Focus on the idea of impact, how microenterprise can affect poverty.

	Women's Empowerment *Health and Education* *Food and Security*		in poverty is? For the Individual? For the Wider Community? • How does running a small business address the structural issues of poverty? • Does being in debt challenge the notion of reducing poverty?	
Financial Inclusion	*Social Inclusion* *Investing in the Future* *Health and Education* *Managing Financial Affairs* *A Requirement of Life*	•Why is Financial Inclusion not part of (IFI)'s work in Egypt? • Given (IFI) work with financial inclusion elsewhere, what role to do you see financial inclusion microfinance having here?	•How do you consider finance a tool for social inclusion? • What is the role of (IFI) in providing these services? • What are your experiences with financial inclusion elsewhere? • How was it able to fulfil its role as a social good for the poor? • Can you explain how you determine the difference between consumption as a social good and consumption due to lack of alternative?	Explore why the IFIs do not talk about financial inclusion in Egypt. Seek to understand how the role of debt becomes a social good in their perspective.
Consumption	*Basic Services* *Improved Services* *Household Goods* *Food and Security* *Luxury Items*	•What is the difference between loans consumption and financial inclusion? • How do you explain debt led consumption part of everyday life?	•How important is it to distinguish between the working poor and those in poverty when it comes to financial inclusion? • How do you see borrowing for consumption as an important tool of development?	Seek to determine the extent borrowing for consumption is accepted as part of financial inclusion and how they perceive that to be part of the SDGs.